# World News Solidarity to control economy in new Cabinet

Poland nearly completed formation of a new coalition government with the Commu-nists looking set to play a secondary role. Prime Minister Tadensz Mazowiecki hopes to present on Thursday a proposal that leaves responsibility for the country's economic problems with Solidarity. Page 20

Dutch go to polis Dutch voters elect a new leader in polis today after a campaign dominated by personalities as much as issues. Page 20

Colombian killed The wife of an army colonel was shot dead by unidentified attackers in northern Bogota as suspected drug traffickers exploded bombs in Medellin.

**UK Kremlin visit** British Prime Minister Margaret Thatcher will stop over in Moscow on September 23 for talks with Soviet leader Mikhail Gorbachev on her way home from Tokyo, Page 2

Environment fund India's Prime Minister Rativ Gandhi proposed creating an \$18bn a year environment fund, highlighting growing concern at the Non-Aligned Summit in Belgrade over pollu-

**US** drug policy President Bush put final touches to his \$7.8bn plan to curb drug abuse in the US, to be unveiled late yesterday in a national televised address.

Vietnam invites UN Vietnam asked UN Secretary General Javier Perez de Cuellar to witness its September 21-26 troop withdrawal from

OUR CONTRACTOR OF THE PROPERTY OF THE PARTY Hong Kong cholorn Hong Kong said another three Vletnamese boat people had ment cholera on Tai A.Cha island, bringing the number

Mine closes again Bougainville copper mine closed when snipers fired on miners' buses hours after the Papua New Guinea mine reopened ending a four-month shut-down caused by rebel:

Record drugs haul Hong Kong police seized \$420m worth of almost pure heroin and arrested four people in. a record drugs haul.

Soviet deficit

The Soviet Government will try to halve the country's budget deficit next year from Rhs120bn (\$186bn) through bond issues and monetary measures, the new Soviet Finance Minister said. Page 2

New Afghan attack Afghan troops launched a new offensive in the hills around Kabul to try to clear rebel

Chilean leader shot The spokesman for a far-left party in Chile was shot dead in a Santiago street in the first killing of an opposition leader for over a decade.

Parisian crimo wave A computer error accused. 41,000 Parisians of murder. extortion and organised prostitution instead of fining them for traffic violations. The city has sent out 41,000 apologies.

# Business Summary **Unctad** hits at reforms

applied

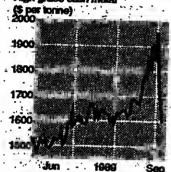
in LDCs

UNCTAD, the UN body focusing on economic interests of the Third World, attacked the effect of structural adjustment programmes undertaken by the world's poorest coun-tries with the IMF and the World Bank.

The Secretary-General's report said that adjustment too often focused on demand restraint, leaving already poor economies operating at even lower output levels and that currency devaluation appeared to do little to stimulate

exports. Page 20 ZINC prices continued sharply downwards on the LME following Monday's rise in LMR warehouse stocks to a five year

High grade cash metal



high of 58.275 tonnes. Cash closed at \$1,505 per tonne, down \$150 on Monday's close. Commodities Page 44

GRAND Metropolitan, sold its Mecca and William Hill betting shops to Brent Walker, the fast growing leisure and property group, in a cash deal worth about £685m (\$1.061hn). Page 21

SWISS Life, largest Swiss life insurance company, is to acquire Pioneer Mutual Insur-ance of Liverpool, England, in a deal which highlights the continuing shake out in the European insurance market:

Page 21
CRA Australian resources
group 47 per cent owned by
RIZ Corp of the UK, boosted interim profits 37 per cent ... A\$311.9m (\$239m). Page 21

JAPANESE benks: Japan's-Tax Bureau ordered four large banks to to pay additional tax on profits transferred to loss-making foreign operations in an attempt to disguise the extent of losses mada around the October 1987 stock market crash. Page 26

BENETTON, Italian cloth manufacturer, will enter the US and Canadian markets with aboes bearing its label following creation of a joint venture with Marubeni of Japan and Sports Incorporated of the US.

Page 22 SEDGWICK Group, largest insurance broker in Europe, matched optimistic City forecasts when it announced half year six month pre-tax profits to June up 5 per cent at £64.8m (\$100.4). Page 21; Lex Page 20

OCCIDENTAL Petroleum, diversified US energy group, is to restructure its domestic oil and gas operations to improve efficiency and performance. Page 22

HEINZ, US foods group, reported a further rise in fiscal first quarter profits, up 15 per cent at \$126m, and sales up 5.3 per cent at \$1.45bn. Page 22 -:

**BOUYGUES: Francis Bouygues** is stepping down from the chairmanship of the French ago and built into one of tha world's largest construction and civil engineering groups.

TRADEGRO, South African retail and wholesale group, lifted pre-tax profit 36.5 per cerit to R179m (\$64.8m) and sales by 17.2 per cent to R7.2bn in the year to June. Page 22

# Dollar rises despite concerted central bank intervention

By Simon Holberton, Economics Staff, in London

THE DOLLAR defied a concerted round of central bank intervention yesterday and rose to finish in Europe at two month highs against both the D-Mark and the yen.

The US currency's strength appears to reflect a general reassessment of the the prospects for the US economy, which has prompted the belief that US monetary policy will

remain firm.

Analysts now believe the US economy is set for a period of solid growth with the possibility of a declining inflation rate. making US stock and bonds

attractive to investors.

The strength of the dollar, however, seems certain to provide an unhelpful backdrop to meetings of economic policymakers from the Group of Seven leading industrialised countries planned for the end of this month in Washington. The currency's resurgence

also puts pressure on the council of the Bundesbank, the West German central bank, which meets tomorrow to review its credit policy.

The dollar has been appreciating gradually since the beginning of August but gathered momentum yesterday.

A rise to just below the DM1.99 level provoked 12 central banks, including the US Federal Reserve, the Bundes-bank and the Bank of England, to sell dollars in the open market. The Bank of Japan was reported to have sold close to \$1bn earlier in the day. The central banks' foray into

currency markets appeared, however, to be abortive. The

Dollar against the D-Mark (DM per \$) 1.90

against the Yen (¥ per \$) August 1989 Sep

pared with DM1.9875 on Monday and at Y147.05 against Y145.9 previously. Explaining the strength of

Magnus, international economist at Warburg Securities, said: "It is a general love affair with the dollar, there has been a reappraisal of the US and a feeling that everything is alright."

· Currency trading in early September often sets the tone on the market for the rest of the year and central banks are determined that currency mar-kets should not take the view that they are indifferent to the dollar. Nevertheless, a fair measure of doubt exists in the market as to the real depth of Mr Paul Chertkow, interna-

tional economist at Drexel Burnham Lambert, said the markets had been impressed by the way Mr Alan Green-span, the Fed chairman, had been managing US monetary

policy. This has cooled economic growth sufficiently but left growth of output intact. The resurgence in the dollar has focused interest on tomorrow's Bundesbank council meeting. Although few analysts in financial markets

believe the West German central hank will increase its main interest rates, there is a general expectation of an increase in West German interest rates later in the year. European central bankers

believe tomorrow's meeting provides the best opportunity for the Bundesbank to move before the Washington meetings of the policy-making interim committee of the International Monetary Fund and G7 later this month.

The Bundesbank appears sanguine about the short-term outlook for inflation but has longer term concerns about price stability given the rapid rate of expansion of the West German economy, which is above its potential for non-inflationary growth.
Its action in raising the dis-

count and Lombard rates to 5 and 7 per cent respectively in June was a pre-emptive move. The dollar was also benefiting from the political difficul-ties of the Japanese Govern-ment and, according to one official, the political ferment in the Baltic states.

Sterling came under pressure in currency markets, falling against both the dollar and the D-Mark. It lost 0.5 points on the Bank of England's tradeweighted sterling index to

# W German growth rises to 4.9%

By Andrew Fisher in Frankfurt

WEST GERMANY'S economy grew at the unexpectedly high rate of 4.9 per cent in the second quarter of 1989, buoyed by sharp increases in exports, ing income from the country's high foreign investments. For tha whole of the first

half of the year, the gross national product rose by 4.6 per cent in real terms. Mr Helmut Haussmann, the Economics Minister, said the figures confirmed that West Germany was now in an eco-nomic boom and this year had

a good chance of achieving its

highest growth rate of the The Federal Statistics Office said the last time that year on-year quarterly growth reached quarter of 1980.

Yesterday's figures bear out last week's statement by Mr Karl Otto Pohl, president of the Bundesbank, who said that based on the strong performance in the first six months, growth of at least 4 per cent was likely for 1989. The last time an annual 4

per cent was reached was in 1979; last year's rate was 3.4 per cent, the highest so far this decade. Mr Haussmann noted that more jobs were being created in the present economic upswing, while prices were ris-ing only slightly. Official figures yesterday showed a further drop in the unemployment rate in August to 7.5 per cent, or 1.94m people, from 7.7 per cent in July and 8.4 per cent a

main growth impulses in the second quarter again came from foreign demand and industrial investment. In con-Continued on Page 20

# Mrs Cecilia Danieli, chairyear ago. The statistics office said the

Continued on Page 20

# **BNL** shares frozen on Milan SE after export credit probe

By Alan Friedman in Milan

ITALIAN stock exchange regulators yesterday ordered a halt to trading on the Milan bourse in the shares of Banca Nazionale del Lavoro (BNL), Italy's biggest stata bank, amid widening concern over the unauthorised disbursement of \$1.5bn in Iraqi export

credits by the bank's branch in Atlanta, Georgia.

BNL has been at the centre of an international investiga-tion since last month when the US Federal Bureau of Investi-gation tipped off the US Fed-eral Reserve that there were irregularities at the bank's Atlanta branch.

Some \$1.5bn of unauthorised loans have been dispensed by the branch over the past con-ple of years to US and European companies exporting to Iraq. The loans neither had the required anthorisation from BNL's New York office nor were they reported to the Georgia state banking authori-

Last night, amid growing expectations of imminent changes at the bank, Mr Nerio Nest, the chairman, and Mr Carlo Azeglio Ciampi, Gover-nor of tha Bank of Italy, went to the Prime Minister's office in Rome for a meeting with Mr Claudio Martelli, the deputy premier, and a senior aide to Prime Minister Giulio Andreotti. Earlier in the day Mr Nesi

had met Mr Renato Ruggiero, Italy's Foreign Trade Minister. BNL meanwhile announced the convening of an extraordinary meeting of its board of

directors for tomorrow, In Rome the bank said that BNL's Italian executives were unaware of the disbursement of the Iraqi export loans from

Last night the chairman of a publicly quoted Italian com-pany said that an application lodged last February with BNL's branches in the northeastern city of Udine and in Rome for the confirmation of a letter of credit issued by the Iraqi central bank was confirmed by BNL's Atlanta

man of Danieli, a leading Italian maker of steel mini-mills, said that BNL's Atlanta branch confirmed an Iraqi letter of credit of about L100bn (\$70m) that was issued in con-nection with the "perfectly normal" export to Iraq of equipment for a steel mill. In Washington Mr Jim Lit-

# Suez secures Victoire with FFr27.4bn bid

By George Graham in Paris

COMPAGNIE Financiere de Suez, the French financial conglomerate, yesterday pulled off the second big coup in the two years since it was privatised by winning France's largest-ever takeover battle for control of the insurance concern Groupe

Victoire. The FFr27.4bn (\$4.1bn) takeover of Groupe Victoire and Compagnie Industrielle, its controlling company, will pro-vide Suez with insurance as a fourth major area of operations and open the way to an exten-sive realignment of the Euro-pean insurance industry.

Having moved into private ownership on the eve of the Octobar 1987, stock market crash, Suez grabbed the head-lines last year when, after a protracted battle with Mr Carlo De Benedetti, the Italian financier, it won control of Société Générale de Belgique, the largest Belgian company.

This will ensure that Suez, which already owned 18 per cent of Compagnie Industrielle, will win this bid triggering a parallel offer of FFr2,276 for every Victoire share. The 40 per cent stake held by

Compagnie Industrielle in Vic-toire and the 30 per cent which Suez owns directly will assure the financial conglomerate control of the insurance company. Along with Groupe Victoire, Suez will gain control of three major West German insurance companies.

Suez decided to launch its bid after disagreeing with Mr Vernes on how to finance the acquisition of the Colonia. Nordstern and Kölnische Rückversicherung insurance subsidiaries of Sal. Oppenheim, the West German private bank. Groupe Victoire will become France's largest private sector insurer and one of the largest in Europe on completion of the FFrizbn deal.

Mr Vernes said yesterday that he did not feel that be had been defeated, but believed that it was time to end the battle over Compagnie Indus-

Paris bankers said it appeared clear that Baron Oppenheim, head of Sal. Oppenheim, had put pressure on Mr Vernes to end the conflict, which had more recently turned sour. Mr Vernes acknowledged

yesterday that Baron Oppen-beim had "with a great sim-plicity and dignity let us know



Mr Jean-Marc Vernes

that this Franco-French battle was not to the taste of the German authorities, German pub-lic opinion or, especially, the management of Colonia."

By following the La Générale takeover with its Victoire purchase Suez has moved a step further in its ambition to exert direct mastery over its princi-pal boldings. Last year, it was the winner

of a protracted battle with Mr Carlo De Benedetti, the Italian financier, for control of Société Générale de Belgique, the largest Belgian company. By tak-ing control of Victoire it has moved a step further in its ambition to exert direct mastery over its principal boldings. After the nationalisation of

the Suez canal 1956, Suez had originally developed a group focused on investment bank-ing, with substantial property interests and with a portfolio of minority stakes in industrial

and service companies.

With the acquisition of La Générale, Suez became for the first time an industrial opera-tor, and with Victoire it will add a fourth major division - insurance.

Yesterday's bid represents an increase of 13.8 per ceot from Suez's initial bid of FFr13,000 per share for Com-pagnie Industrielle.

The improved offer for the

parent bolding company will entail an identical increase in the parallel offer for Victoire to FFr2,276 for each share and FFr1,138 for each non-voting certificate of investment and could cost Suez up to FFr3.27bn more.

Suez was the largest investor in Victoire with a consolidated interest of 42 per cent. Markets, second section

# Strike by South African blacks less widespread than expected

By Patti Waldmeir in Johannesburg

MORE THAN 100,000 black workers went on strike yester-day in South Africa to protest at today's general elections, from which blacks are excluded.

Backing for the strike was less widespread than expected, however. The authoritative Labour Monitoring Gronp, made up of university academics, said only 39 per cent of workers stayed away in the area of Transvaal where most industry is concentrated. Police used whips and dogs against a march by about 500 white students and black workers at the University of Stellen-bosch, the foremost Afrikaaner

university in the country.

Most protest to date has involved English-speaking whites. Yesterday's incident demonstrated how Afrikaner youth has become increasingly In the eastern Cape, tradi-tionally a militant area, researchers reported a 100 per

cent stay-away from work. The country's main motor vehicle

assembly plants in Port Eliza-beth were silent. In Durban, a 65 per cent stay-away was reported and in the western Cape figures varied from 24 to 40 per cent.

Nationwide, some 10 per cent of mineworkers, or about 70,000 employees, are under-stood to have stayed away. Large numbers of schoolchild-ren throughout the country did not attend classes.

The mixed support appears to have been the result of lack of organisation by the two black labour federations which promoted it as part of a month-long defiance campaign to protest at today's poll. A three-day stay-away last year, called to protest at harsh labour laws, was backed by up

to 2.5m. The two union federations the strike. This may have led to confusion among workers.

Organisation was further hampered by South Africa's emergency regulations, which make it illegal publicly to call for political strikes or boycotts. Union leaders said they expected a higher turnont today, which is polling day for whites, Indians and "col-oureds".

The most important contest is for 166 seats in the white House of Assembly. Some 5m white voters will elect repre-sentatives to this house, which holds effective parliamentary power in South Africa. Three million coloureds and

nearly 1m Indians will vote for their own segregated parlia-ments, the House of Represen-tatives and the House of Dele-The election could turn out

to be the closest in 41 years of National Party rule, with the party seeing its majority substantially reduced. A hung parliament was still considered possible last night, although it was not thought likely. De Klerk squeezed, Page 18

#### CONTENTS

Time waits for no party in close contest for Norwegian votes



Mrs Gro Harlem Brundtland (left), Norway's Prime Minister, must wonder in her gloomier momants. why the voters seem so unappreciative. She has presided over ona of the swiftest economic turnrounde in OECD history.

Geneval Third World problems could thwart dabt strategy. Cairor Egypt seeks limelight of world diplomatic stage : Technology: Wind of change in a tunnal with thinking walls Editorial comments The decision at Plessey; early election in Spain ... EC social charters Building an open, free, competitive Europe \_ Lex: Markets, Sedgwick, ADT, Brent Walker, Imperial Matal Industries ... 32 49-51 45-47

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# MARKETS-W. Germany FAZ Aktien Index 640 620 600

3-month interbank:

close 14쇼 (13월)

INTEREST RATES Fedaral Funds 8% DM1.9910 (1.9785) 3-mth Treasury Bille: yleid: 8.132% (8.08) Long Bond: 99<sup>3</sup>4 (100) yield: 8.141% (8.12) SFr1.7180 (1.7095)

STERLING New York lunch \$1.539 (1.5575) \$1.5380 (1.5540) DM3.0825 (3.0750) FFr10.3250 (10.3700) SFr2.6425 (2.6575) Y226.25 (226.75) DOLLAR New York Junchtime DM1.98865 (1.9775) FFr6.7035 (6.668) SFr1.718 (1.707) Y141.915 (145.7)

> GOLD . New York latest

New York Lunchill Dow Jones Ind. Av. 2,748.67 (-3.42) S&P Comp 353.62 (-0.11) FT-SE 100 2,426.0 (+6.8) World 151.26 (Mon) Tokyo Nikkei Ave 34,441.95 (-41.83) 2,036.9 (+20.4) Brent 15-day (Argus)

\$17.50 (+0.075) (Sept)

\$19.075 (+0.20) (Oct)

West Tex Crude

STOCK INDICES

World Trade

Page 2 **Loriculture** Currencies

Istanbut Survey ... Gold 32 Stock Markets international bonds 25,26 Letters 25,26 Lett Stock Markets -Wall Street -London Technology 12 World Index

Moscow's

bureaucrats

a borderline

By Jim Bodgener in Sarp

THE TURKISH-SOVIET bonder

crossing at Sarp in a verdant hollow on the Eastern Black

bollow on the Eastern Black Sea coast was hardly a hive of activity on the anniversary of its reopening last week. The much vanuted move symbolised a warming in Soviet Turkish relations, 40 years after Stalin shut the crossing.

The freshly painted, green Soviet watchtower faces its drab, grey Turkish opposite across the border gate, A spanking new customs house and immigration hall were almost empty last weekend. The buildings on the opposite side appeared chiefly to be made of corrugated from.

made of corrugated from.

Turkish customs officials, just 12 of them, busily processed a dance troupe from the Turkic Soviet republic of Azerbatjan, on their way back from a cultural festival in Avanos, Cappadocia in central Anaiona. During the past four years, Turkish-Soviet trade has rapidly expanded on the back of a rapidly expanded on the rapidly

idly expanded on the back of a gas import deal and is expected to reach \$10n in 1989. In the past three months, just two or three large international trucks have trundled through the border and the rough roads on either side, carrying chemicals and paint for the north-west Anatolian city of Bursa.

Most crossings, about 60 per cent, have been by relatives from families divided by the

border's closure in 1938, visit-ing each other for the first

ing each other for the first time through Sarp. Previously, they had faced an ardaous trek to the south through Erzerum, Kars, and Dogukapi (East Gate), where a train crosses only twice a week

along the railway line where the Soviet spy Kim Philby dis-appeared into the nether dis-

However, those going to the Soviet Union said obtaining a visa was as difficult as ever, compared with the easing in Turkish formalities. Turkish

visas are valid for three months, but those from the Soviet Union are graded in

soviet chion are gradual in two-week, one- and three-month terms, depending on circumstances. Turks still have to travel to Soviet diplo-matic missions in Ankara and

A teenage niece was being

Istanbul for their visas.

22.2

give Turks

reception

with the

#### **EUROPEAN NEWS**

# Bonn to set conditions on MBB takeover

By David Marsh in Bonn

MEASURES to increase the involvement of small compa-nies in the aerospace industry are expected to be proposed by Mr Helmut Haussmann, the West German Economics Minister, on Friday when he gives the go-ahead to the planned Daimler-Benz armaments

merger.

Mr Hanssmann is thought certain to announce that be will allow motor vehicle and engineering group Daimler to take over Messerschmitt-Bölkow-Blohm (MBB), West Germany's biggest aerospace group. The deal, a subject of heated controversy for more heated controversy for more than a year, will create one of the world's largest and most diversified defence technology

Mr Haussmann, who has



Friday morning, is expected to argue grounds of overriding economic interest in rejecting the Federal Cartel Office's veto against the Daimler-MBB deal. Mr Haussmann hinted yes-terday that the conditions which the Economics Ministry will attach to the takeover could improve the position of West Germany's plethora of small and medium-sized companies. This is an industrial sector which Mr Haussmann's Free Democratic Party is pledged to support.
The Daimler-MBB merger

has been criticised both by the Cartel Office and hy the Monopolies Commission whose chairman resigned last month over the row - for building up an arms-and-aero-space conglomerate which will

distort competition. However, Mr Haussmann is expected to state that there is no alternative to the takeover to strengthen West Germany's participation in the Airbus air-liner venture and hoost the country's prowess in high-tech defence markets.

Mr Haussmann is likely to impose conditions which assuage public hostility to the deal without making it funda-mentally unpalatable for Daimler. Bonn officials say that Mr Haussmann will try to offset ths unfavourable impact on public opinion of the Daimler-MBB transaction by at the same time safeguarding the position of smaller companies

in the aircraft sector.

This could be accomplished through increased efforts hy Daimler to subcontract defence and aerospace work.

The Economics Ministry yesterday insisted that the condi-tions would be more than mere optics". But some officials have no hesitation in saying that the strictures to be announced by Mr Haussmann

will be essentially cosmetic. Both Daimler and MBB have take an uncompromising public line in recent months rejecting any breaking up of MBB's military and civilian operations.

# Hungary 'split' over refugee crisis

By David Marsh in Bonn and Leslie Colitt in Leipzig

SPECULATION mounted yesterday in Bonn of a split in the Budapest Government over releasing thousands of East German refugees camped ont in Hungary, as prospects receded of an early exodus for the fugitives from Commu-

Bonn officials believe that the Hungarian leadership is dampening expectations of a quick exit for the East Germans in order not to exacer-bate the worsening climate

Mr Istvan Horvath, the Hun-garian Interior Minister, has created considerable uncer-tainty by saving in an inter-view with the West German magazine Stern that weeke could elapse before the refugees will be allowed to lesve for the West.

Bonn officials point out that

Mr Horvath is counted as a rel-ative hard-liner within the Hungarian Government, and that his remarks may have been calculated above all to

appease East Berlin.

Mr Gyula Horn, the Foreign
Minister, who is bandling
negotiations with hoth Boun
and East Berlin over the affair, s seen as much more reform-

By David Buchan in Brussels

BELGIUM mnst act more

boldly to reduce its hudget def-

icit in order not to jeopardise recent successes in achieving

non-inflationary growth, says the Organisation for Economic

Co-operation and Development

in its latest report on the coun-

If Belgium'e regions, which now control 40 per cent of all public spending, were to join the central government in

observing strict fiscal disci-

pline, they could halt the steady rise in public debt and borrowing by perhaps as early as next year, the OECD says. But such discipline would have to continue for several

have to continue for several

more years to reduce the pub-lic debt to reasonable propor-

tions, the report warns. Last year, total net public debt amounted to 125 per cent of

gross domestic product, the second highest ratio among

OECD countries.

Despite its plan to hold cur-

rent spending next year at this year's level, Mr Wilfried Mar-tens' Government is forecast-

ing a BFr70bn (£1.09bn) rise in debt servicing next year because of the snowball effect

By Philip Stephens in London

MRS Margaret Thatcher is to hold talks with Soviet Presi-dent Mikhail Gorbachev in Moscow later this month amid

signs that Britain's relations

with the Soviet Union have

recovered after a diplomatic

The visit will follow Mrs

Thatcher's visit to Japan from September 18 to September 22. Downing Street said yesterday that the talks, likely to last

several hours, would be "sub-stantive" and would cover a

range of issues of interest to both sides.

Mrs Thatcher, who has

struck up a rapport with Mr Gorbachev since their first meeting in 1984, last met the

Soviet President during his

visit to London in April.

The warmth at that meeting.

however, was quickly soured by the expulsion by Britain of 11 Soviet diplomats and jour-nalists for alleged spying activ-

ities. Moscow responded with a similar set of expulsions.

Mrs Thatcher'e firm stance within Nato during the sum-

row over alleged spying.

try's economy.

Faced with a difficult decision over whether to give pri-

ority to strengthening ties with Bonn or to protecting its oldes-tablished relations with East Berlin, Hungary is trying not to deliver too stern an affront to its Warsaw Pact partner,

Bonn officials believe. East Germans, meanwhile, said a last-minute appeal by their leadership to woo back thousands of citizens had coms too late and would fall on deaf

"The Government has no more credibility among those who want to escape or among us," said\_a school teacher in Leipzig, East Germany'e second-largest city.

Although she was of retire-

ment age, the school director had asked her to take on the work of teachers who had gone to Hungary on holiday and failed to return.

"One does one'e duty," she said, echoing a sentiment mainly heard from older East Germans. She and her busband have no desire to leave Leipzig but she says she understands why younger East Germans who have "nothing to lose" are fleeing.
"Supplies of food and con-

sumer goods have not been as bad for decades," she said. Yesterday's official appeal on the front page of Nenee

Belgium warned to cut deficit

of piling interest charges.

The OECD deplores the fact

that, for Belgium, "1988 was a

year of lost opportunities," mainly because it had no Gov-

ernment for the first four

months of that year. The lost opportunity lay in the failure of the Martens Government

formed in May 1988, to use the

surprisingly robust and sound

growth in the economy (4.2 per cent growth and 1.2 per cent

inflation) to make any sizeable

Growth has slowed somewhat this year, while the rate of price increases has risen, but the OECO still sees the

short-term outlook for the Bel-gian economy as satisfactory.

steel industry has helped account for the fact that, for

the first time in many years, the southern French-speaking

Walloon part of the country,

together with Brussels, grew at a faster rate than Flanders in

omy in a monetary and pay-ments union with Belgium is

Moscow set for Thatcher visit

The recovery in steel has also been an important crutch for Luxembourg, whose econ-

The current boom in the

dent in the hudget deficit.

paper, was aimed directly at the thousands of citizens in

Hungary who were planning an illegal horder crossing to reach West Germany.

If they returned, the statement said, they would not face any recriminations and would be the statement of the statement said, they would not face any recriminations and would be the statement of the s be able to work as before. Once home, they would be able to apply to emigrate to the West, a step referred to as "applying for pergreent densiting." for permanent departure

"They were entitled to all the rights of appeal under the decree of last November 30 which were available to other citizens. Lawyers had been instructed to represent them in court and, in cases involving the state organisations, they were to be given a maximum of

official support.
East Germany, the statement noted in brittle hureancratic German, called on the "other states" involved to inform East Germans of these measures and to "encourage them volun-tarily" to leave the diplomatic missions - more than 300 East Germans were in the West German missions in East Berlin and Prague hoping to gain pas-sage to the West – and "places of residence", a reference to the camps hursting with East

Germans in Hungary. Remaining there would bring them no advantages and

also covered by today'e OECD report. Production of steel,

which rather surprisingly still

accounts for 7 per cent of jobs in the duchy, rose 11 per cent

But, with Luxemhourg's

future increasingly tied to the performance of its outsize

financial sector, the OECD report stresses the likelihood that the duchy will have to adjust its taxes to those of its

At present, Luxembourg does not tax investment or

interest income of non-resi-

dents, and has so far stoutly

resisted any suggestions by Brussels that it should start

doing so when most capital

controls in the Community

However, the OECD believes that it could still remain com-

petitive with other financial

centres, because of its speci-alisation in Euro-issues which

are likely to remain free of any EC withholding tax plan. Belgium and Luxembourg.

OECD Economic Surveys, 2, rue

Andre Pascal. 75775 Paris

negotiations are expected to be

on the agenda in Moscow. The

talks on conventional weapons reopen in Vienna later this

week, and US/Soviet negotia-

tions on strategic nuclear weapons start again on Sep-

British officials yesterday euggested that Soviet agree-ment that Mrs Thatcher should

stop off in Moscow underlined

the strength of the two leaders

mrs Thatcher is due to pay a formal visit to the Soviet Union in mid-1990, but the offi-

cials said that this month's

talks would allow updating on

the progress in arms control talks and tha rapid pace of

talks and the rapid pace of political change in hoth the Soviet Union and in Eastern Europe – particularly Poland.

Mrs Thatcher will seek Mr Gorbachev's assessment to the potential threat to his policies of perestroika and glasnost from patienalist movements.

from nationalist movements within the Soviet Union and

from the country's stark eco-

there last year.

EC neighbours.

vanish next year.

Cedex 16, France:

was not a "way to achieve per-manent departure from the German Democratic Republic.

German Democratic Republic,"
the appeal said.
All attempts by "certain circles" (in Wast Germany) to
interfere with relations
between East Germany and
Hungary were "built on sand"
it concluded.

Several hundred East Germans demonstrated on Monday evening outside the Nikolai Church in Leipzig for the right to leave their country.

They had attended a special service for would-be emigrants held each Monday in the church Hundreds of policemenand plain-clothes security offi-cials sealed off the square - lined with onlookers - in front of the church.

Many of the watchers said

they sympathised with the demonstrators while they themselves did not wish to leave - yet. The crowd chanted slogans including "we want to leave" and "we want a Signs calling for political

reforms were ripped out of their hands and several demon-strators were taken into custody. "We all want reforms and a change [in the leadership], one young engineer eaid watching the clash. "But we cannot all leave can we?"



# **Parallels** of politics and crime

By John Wyles in Rome

THE MURDER at the end of THE MURDER at the end of last month of Mr Lodovico Ligato, once a powerful Christian leader in Calabria and until a year ago president of the Italian Railways, is prompting analysts of the nation'e fight against organised crime to suggest that the germs of the present conflict in Colombia are now present in the hia are now present in the south of Italy. Several parallels are being

drawn: the impunity with which organised criminals in both Colombia and the Italian regions of Campania, Calabria and Sicily can execute their victims, the inadequate resources of the law enforce-ment agencies to deal with the problem and the control over many politicians, bureaucrats and policemen which is exer-cised by organised crime.

As with most of the other 400 odd murders which have gone unsolved in Calabria over the past conple of years, magistrates admit that they have few clues as to who pumped 34 builets into Ligato early on August 27, or why. But in seeking motives, they are examin-ing his business dealings both before, during and after his brief 21/2 year sojourn at the

head of the Ferrovie dello Stato (FS). The general assumption is that the death eentence was imposed by the n'Dranghe-ta - the Calabrian mafia, The Italian media has needed no encouragement to sleze on a central idea that Ligato'e death was somehow horn of the mafia's desire to mop up the billions of lire's worth of public spending in Calabria through the companies it owns and the

politicians it controls.

He resigned as president of the FS last November after ascandal over the placing of a contract for paper bedsheets.
According to Professor Franco Cazzola, a counsellor in Catania and a student of links between politics and crime, the strength of public reaction to the emergence of a criminal state within a state remains Italy'e strongsst defence against the Colombian virus. Nonetheless, the public still lacks the power to force out truths about links between pol-

# Ankara court orders halt to steel strike

By Jim Bodgener in Ankara

THE long-running strike by 20,000 steelworkers in Turkey was ordered to a halt last night by an Ankara court using Turkey's restrictive labour legislation dating from the period of military rule in 1980-83.

The court called an end to the stoppage on the grounds of public order and well-heing, after an application by the Turkish Metalworks Employ-

ers' Union (Mess). More than 20,000 men at the state-owned Karabuk and iskenderun iron and steel complexes had been on strike for 125 days, demanding a monthly wage increase to TL500,000 (\$225) from TL140,000, Inflation over 12 months to the end of August was about 74.7 per

The men had held out long after other public sector unions in the main trades union con-federation, Turk-Is, had settled back in May following a backdown by the unpopular govern-ment of Prime Minister Turgut Ozal faced with rising labour

ter threatened to stage demonstrations by its 1.8m members

in solidarity.

Turkey'e steel output has been severely hit by the strike, and the Government has been forced to import steel at some expense. Production losses at the two complexes by the third week in August were reported to be TL866bn (\$430m).

This is claimed to be the costliest strike in terms of days

lost since the early 1960s. Furthermore, factory stocks were already displeted before the strike because of previous go-slows, said officials. Article 48 of the law on

strikes and lock-outs provides that the employer, union or labour minister may apply to the court to stop a strike on the grounds of public order or interest. However, last week Mr

Cemil Cicek, the State Minister appointed by Mr Ozal to handle the steel dispute, reportedly said it was plain that Mess and Cellk is could not reach a solution by themselves. His pro-The steelworkers union, posal for a special commission, celik is not affiliated with although accepted by Mess, Turk-Is, but last week the lat- was turned down by Celik-Is.

# Moscow will try to halve budget deficit next year

THE SOVIET Government will try to halve the country'e budget deficit next year from Rbs120hn (£120bn) through a mixture of bond issues and monetary measures, according to Mr Valentin Pavlov, the new Soviet Finance Minister. Soviet Finance Minister.
In an interview with Soviet-journalists published yesterday in Trud, the Soviet trade union

daily, Mr Pavlov said that to help reduce the deficit the Gov-erment would next year issue bonds to Soviet enterprises and organisations on a voluntary basis. "The conditions of the issue will be favourable and that the bonds will bear 5 per cent interest," he said.

The Government would alsoissue "special purpose bonds" to private individuals. These would bear no interest, but "will be repaid by the state in 1993 in the form of durable goods, such as cars, fridges and washing machines." At the same time, Mr Pavlov claimed that the Government.

"Apart from these mea-sures," Trud reported, "many more bonds and shares will be isued. In other words, a securi-ties market will have to be set

It remains unclear, however, whether all these measures are of sufficient magnitude to reduce the country's enormous budget deficit by as much as half. In an interview with the Financial Times last month. Mr Pavlov said that next year's pensions and child allowances alone would increase state spending by around Rhs45bn.

# seen off by anxious and tearful parents to see a grand aunt for the short time in Batum. "It's taken two years for her visa to

nant father.
(Hasnost still had some way
to percolate down to the border, according to Turkish efficials, who said they were virtually sambbed by their Soviet
counterparts, while offering
every co-operation in return.
On the Soviet side, they said, a
restricted buffer zone ran 20 restricted buffer zone ran 20 km up the road to Betum. For Turks, however, Sarp has become something of a local tourist sight, and Turkish hold daymakers swim from black shingle beaches in the next cove. Two buses full of tourwas planning next year to reduce by about Rbsion the annual level at which paper money was printed — or half the current level. ists, mainly Turkish, also go through to Batum every week, while the tourist agency, Intourist, arranges visas to Turkey for Soviet Turkophiles through Sarp.

An Azeri tourist travelling

with the folk-dance-troupe, an academic studying Turkish economics at the Academy of Sciences in Bakn, said peres-troika had not made much headway sgainst the bureau-cracy as yet. But neither did he praise the economic policies he praise the economic policies of the Turkish Premier, Mr Turgut Ozal, which he said were unbalanced and oppressing the workers. On the whole, he found the citizens of Avanos in Turkey poorer than Baku's inbabitants, he added. But all the Turks he met were very interested in establishing a rapport with their Turkic racial cousins in Azerbaijan.

As if to emphasise this, the troupe's band strack up on accordian and drum. An ardent Turkish official finally persuaded sultry Azeri dancers

persuaded sultry Azeri dancers onto the customs house floor. To hand-clapping and much snapping of fingers, they pirouetted round each other and piles of laggage. At least for Turkic hands across the Caspian, the border's opening may have unleashed more may have unleashed more than Moscow or Ankara ever burgained for.

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# Time waits for no party in Norway's closely fought election

Robert Taylor in Oslo assesses the chances of a Labour government working against the clock to prove its achievements

Norway during the final days of the general election campaign, Mrs Gro Harlem Brundtland, the country's premier, must be wondering in her gloomier moments wby the voters seem to be so unappreciative.

Her minority Labour Government came to power in May

1986 when the non-socialist coalition fell to pieces in the midst of the worst economic crisis Norway had experienced since the 1930s. Without an overall majority

in parliament, she has presided over one of the swiftest economic turnarounds in the history of the Organisation for Economic Co-operation and Development, turning a bal-ance of payments deficit of NKr40bn (£3.57bn), which was 8 per cent of Norway's gross domestic product, three years ago into an expected surplus of around NKr20bn in 1989. And yet next Monday Mrs

Brundtlsod's revisionist Labour Party looks set to poll less than 35 per cent of the votes, compared with just over 40 per cent at the last election in 1985. an economic strategy that has at least provided a much needed stability for an econ-omy that had become over-dependent on oil revenues.

So far this year Oslo has had one of the best stock market performances in the world, mainly due to the renewal of business confidence in the economy.
"If there was a vote only

among bankers Mrs Brund-tland would be home and dry," reflected one respected businessman in Oslo this week. Indeed many employers, by tradition and instinct Conservative Party supporters, would sctually like to see a grand coalition government after September 11 made np of Labour and Conservatives. They see it as the only way of protecting the economy and avoiding what is now a real danger of political paralysis from next week when the general elec-tion produces no clear cnt

Many people beyond the ning to worry that Norway's economic recovery will be threatened by the danger of

weak government incapable of making strong decisions. Under the country's constitu-tion, parliament cannot be dissolved during its prescribed four year terms.

Thatcher: firm stance

mer on the need for the West to retain short-range nuclear

weapone if agreement is

reached to reduce conventional arms on both sides also left her

Both the spying and arms

"This can concentrate minds wonderfully and force the party leaders to compromise with each other," says Mr Tore Bredal of the MMI poll organisation. But in present circum-stances the horse trading involved between Norway's parties could begin to unravel the achievements of the past three years.

Some of the economic facts are certainly impressive.

Inflation has been reduced significantly from 10 per cent in the spring of 1987 to a likely 48 per cent this year, the low-est it has been since the 1960s and the first time since 1980 that the country's inflation rate has been in line with its

trading competitors.

Thanks to two years of a tough statutory incomes policy wage rises have been modest averaging around 4 per cent this year so that unit labour costs are down from a rise of 10.8 per cent in 1986 to a mere 0.25 per cent this year in manu-

nfacturing sector is now com-peting effectively with its main overseas rivals. Output this year has been raised by 4.5 per cent, compared with only 1.1 per cent three years ago.

• Interest rates have come down so that the gap between Norway and foreign short term rates has fallen to 1.5-2 per cent, the lowest it has been since 1982.

since 1952.

Norway's recovery has not just been on the back of a rise in world oil prices, though this has certainly helped in 1989 with an expected oil export value of NKr67.4hn. There has been a significant growth in the country's mainland industries notably metals like nicksl and aluminium. paper and pulp and mechanical engineering, helping to pro-duce a 55 per cent growth in the value of Norway's exports between the first half of 1986

and June 1989. However none of these achievements has made much tangible impact on the outlook of the average voter whose own living standards have had

per cent increase in its produc-tivity last year, Norway's man-ufacturing sector is now com-peting effectively with its main coverses rivals. Output this try, accepts that many people have not yet appreciated that economic improvement is now taking place and they are not spending as much on con-sumer goods as might be expected at the moment.

here is also a black cloud over the economy caused by the rapid rise in the unemployment rate which is now more than 4 per cent - more than 130,000 peo-ple. Mr Aumo admits that unemployment has risen much faster than the Government predicted and that it may not peak until the middle of the winter. However, public opin-ion surveys taken during the election do not suggest that the unemployment issue is making any significant difference to voters' attitudes.

In fact the opposition parties question the solidity of Norway's recovery. Mr Jan Syse, leader of the Conservatives, favours tax cuts for everybody and government stimulus for

more optimistic husiness cli-mate," he declares. But there is no major ideological gulf between his party and Labour. The federation of Norwegian industries agrees with him. It wants to see greater stimulus for private capital, government spending cuts and closer economic relations with the Euro-pean Community.

The economic programme of

the rapidly rising population or the rapidly rising populating the rapidly rising populating the rapidly Reaganite in its radicalism with a call for the privatisation of industry, dras-tic tax cuts, the abolition of subsidies and a much more entreprensurial approach to

government:
Such a strong dose of economic liberalism alarms the more traditional parties who continue to support Norway's consensus system. But it seems to have struck a chord among many voters, particularly young nowardly mobile men in the more prosperous south of the country. Certainly the party's charismatic leader, Mr Carl I Hagen, believes that a more market-orientated strat-

higher investment.
"We need to create a much egy is what the country needs and a winding down of the old traditional welfare state.

traditional welfare state.

For its part, Labour wants to continue with its present policies, a judicious mixture of economic fine tuning and the controlled expansion in private and public epending. In the past few days a number of Norway's leading banks have published optimistic forecasts on what will happen to the Norwegian economy over the next four years, predicting lower inflation than the OECD average, modest growth of around 25 per cent on average but better than for the last three years, continuing limited pay increases and a persistent balance of payments surplus. ance of payments surplus.

What must exasperate Mrs.

Brundtland is that the sacrifices of the past three years have not borne results fast enough. As always in an economic payment in the past three is an economic payment. enough. As always in an eco-nomic recovery, there is an important time lag before peo-ple recognise it. Unfortunately for the Labour Party it looks like stretching beyond polling day. Not for the first time in a

Western democracy, Norway's political and economic cycles

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# national security problem

By Lionel Barber in Washington

late yesterday in a national televised address.

The plan aims to cut US illicit drug consumption by 50 per cent over the next 10 years - a goal which the president hopes to reach with a mixture of tough law enforcement and a crackdown on the casual

The president is expected to declare drugs to be a major national security problem and to lay most of the blame on the American consumer, rather than supplier countries in Latin America

This marks a shift from Presitent Reagan's view, which put much emphasis on interdiction from overseas suppliers, and

PRESIDENT George Bush used Mrs Nancy Reagan to stigmatise the user," said one yesterday put the final touches front the "Say, No to Drugs" official yesterday. to his \$7.8bn plan to curb campaign Analysts say this. Abroad, Mr Bush will produce in the US, to be unveiled campaign may have helped to vide at least \$300m in new aid cut drug consumption among the middle classes, but falled to tackle growing drug-related violence in the inner-cities.

Mr Bush intends to claim that his plan is the first "comprehensive national strategy to tackle drug abuse. However, much will depend on whether he can sell his plan to the states. The rise in funds for federal law enforcement aid, for example, requires matching funds from local taxpayers. who may jib at the request.
The president is also expec-

ted to press states to revoke drug offenders' driving licences and colleges to deny student loans to anyone convicted of a drug offence. "The aim is to

to coca-producing countries notably Colombia, Peru and Bolivia - including the \$65m which the Administration has already pledged to the Colombian Government. In a television interview

In a television interview with David Frost, to be aired last night, Mr Bush has said he would not rule out sending US troops to help Colombia fight the cartels, if the government there requested aid. But he stressed that President Virgilio stressed that made no such Barco had made no such request. I don't think the President of Colombia wants American troops," Mr Bush said, "In fact, I know he doesn't. But if he changes his

Over 30 people have been arrested so far in connection with the charges. The former production director, Mr Antonio Montano Munguia, has been released on bail from jail. He is said to have told the investigators that Mr Ocampo and Mr Newman received 4-6 per cent of proceeds from sales

staff, union members and external auditors. The Attorney General's office has yet to quantify the extent of the alleged fraud although its pro-

# Bush set to declare drugs | Where majorities do not make a message

Lionel Barber appraises the US Democratic Party's search for strength

Chicago, Congressman
Dan Rostenkowski found himself besieged by an angry mob

of senior citizens. The elderly were protesting against a surtax to pay for an expansion of Medicare to cover the high costs of prolonged illness in the US. Mr Rostenkowski, one of the most powerful Democrats in Congress, paused, growled his disap-proval and best a rare retreat. These days, Mr. Rostenkowski, chairman of the tax-writing House Ways and Means committee, is taking an nnusual amount of fisk — and his problems underline the dif-ficulties facing Democrats as they gather in Washington

Congress.

Despite having majorities in the House and Senate, the Democrats are in disarray, divided by basic differences over tax and spending decisions, and unsure about the direction which new party leaders wish to take. Moreover, the Democrats are learning an old lesson in US politics: that control of Congress comes at the price of dealing with a president from the other party, and that operating the legislative machine can conflict with

today for the new session of

the demands of the party at Other explanations for the Democrats' weak-kneed perfor-

NE day last month, in his home district in Chicago, Congressman can Rostenkowski found him.

mance abound in Congress: the party's traumatic defeat in the presidential election last year, the unexpected removal of two of the top leaders in the House under ethics clouds; a new (and relatively inexperienced) Senate majority leader Mr George Mitchell; and the federal hudget deficit which has stripped the party of the money with which to fund the social programmes it has traditionally used to woo voters.

There may be a little truth in all these explanations, but together they do not satisfy the more thoughtful analysts of the party's dilemma, such as Mr David Dreyer, who recently joined the staff of Congress-man Richard Gephardt, the new House majority leader. For them, the question is as profound as this: what does the Democratic Party stand for? This was first raised when

the party split over civil rights and the Vietnam war 20 years ago and more. It is even more pressing for Democrats today, says Mr Dreyer, who feels the party has failed to develop a philosophy to succeed that of the Great Society — the Kennedy-Johnson War on Poverty. Five defeats in the last six presidential elections underline the weakness of the party at a national level.

Also, Mr Dreyer contrasts his party's weakness with the relative vibrancy of the Republican Party. "Ronald Reagan



Rostenkowski; besieged

ran for election in 1968, 76 and 80. He spearheaded a Republican philosophy and spawned a generation of Republican politicians." By this analysis, the defeat

last year of Mr Michael Duka-kis, the Democratic presiden-tial candidate, was not, as some Democrats have argued, a failure of tactics but a failure of message, best summed up hy the the candidate's inability to state clearly what be stood for and why voters should back him against Mr George Bush. Alarming for the Democrats is this ideological uncertainty, appearing to be taking hold in Congrese which has largely been their stronghold for the

past 25 years. The Democratic leaders face a revolt of some 90 House memhers who are willing to Bush's proposal for a cut in the rate of capital gains tax. This is a stunning prospect for Democrats who forecast with confidence this year that Mr Bush would have to swallow his campaign promise and agree to new taxes.

One reasoo for this switch is that the Democratic rank-andfile has spotted that a cut in capital gains offers the prospect, via a consequent surge in investment, of a one-off gain in revenue for the Treasury which, in a tight hudget cli-mate, may be the only way to pay for enhancing programmes such as child care. Just as important, though, say Republicans, is thet Mr Bush has convinced some Democrats that a capital gains cut will stimulate economic growth.

It was these prospective defections which encouraged Mr Rostenkowski to tell reporters in early June that he might be amenable to a capital gains cut - if Mr Bush put other issues on the table. In retrospect this seems a mistake for, in his eagerness to do a deal, Mr Rostenkowski might have made a concession without anything in return (and he was hauled back into line hy the new House leaders, headed by Mr Tom Foley, Speaker, and Mr Gephardt).

The question for the new session of Congress is whether the Foley-Gephardt team, with Senator Mitchell, can forge a clearer message to voters. Now, there is not much ground for optimism. The president remains popular, the economy continues to grow and there seems to be no paramount national political issue (other than, perhaps, abortion, where the Supreme Court's recent

ruling to restrict rights shows signs of galvanising voters). As Mr Michael Kinsley, the syndicated columnist, wrote last week: "If the Democrats don't stake out an ideological position soon, they will find themselves fighting the next election on relatively trivial and potentially donht-edged issues such as sleaze and phony issues, such as euch flags and furloughs, devised in the Republican research labo-

# Rich rejects Mexican claims By Kenneth Gooding, Mining Correspondent, and Richard Johns in Mexico City

trading group, yesterday described as "arrant nonsense" allegations made in a Mexican court that it conspired with an official of Mexico's state-owned Cananea company to control

copper output from the coun-try's biggest mine. "Marc Rich and Co, not Mr Rich personally, has for some time been negotiating with Cananea to provide a substantial financial facility to be repaid from proceeds of part of future copper concentrate sales at market terms," the company

To allege such negotiations represent a conspiracy to seek control is arrant nonsense." Rich said negotiations with Cananea had been properly

By Candle James in Kingston

THE SOCIAL Democrat Mr

George Price, who has led his opposition party to a narrow general election win in Belize,

will seek to strengthen social services in the English-speak-ing Central American country, his People's United Party said

Price wins election in Belize

V.21

44.5

-120

MARC RICH, the documented and conducted commission on copper concenswitzerland-based commodity with Cananea management, trate sales in collusion with Mr not with one individual. Substantial Western banks had taken part in the talks, which were continuing until the mine was declared bankrupt on August 20.

But the Mexican authorities

are still insistent that chief among the alleged collabora-tors with Mr Emilio Ocampo Arenal, detained ex-director of Compania Minera de Canenea, in allegedly selling its copper output at 5 per cent below world market prices, were Mr Rich and Mr Gad Newman, a former executive of the copper

Mr Ocampo is facing three charges related to the company's hankruptcy and is accused of taking a 5 per cent

Results announced yesterday

showed that, in a general elec

tion on Monday, the PUP took

15 of the 28 seats contested

ousting the conservative United Democratic Party of Mr

Manuel Esquivel.

Marc Rich and a West German named as Mr Gad Newman. Mr Newman, a former financial executive with Cananea. fied the country on the day of Mr Ocampo's arrest. He is believed to have gone to Costa

The Attorney-General's office alleges that Mr Ocampo altered the wording of contracts with Japanese and South Korean companies to "the dis-proportionate benefit" of him-self, Mr Newman, and Mr Rich.

volumes

Evidence has been given by 65 former and current officials, ceedings against Mr Ocampo at present related to a sum of no less than Pesos 6,000m.

# Japan near project loans accord with Brazil

By Ivo Dawnay in Rio de Janeiro

JAPAN is close to concluding negotiations with Brazil on the release of almost \$500m in project loans under the former's new Overseas Economic Co-operation Fund (OECF).

Mr Harunori Kaya, Tokyo's amhassador to Brastlia, said

yesterday that conclusion depended only on procedural questions. "We hope to be able to reach agreement as soon as possible," he said.

However, Brazilian press speculation yesterday that the cash might be released without an accompanying agreement on economic targets with the International Monetary Fund appear misplaced. The ambassador gently dismissed sugges-

tions that an accord could be completed without such an IMF programme in place, "We would prefer to see an agreement with the international financial institutions," he said, adding, "perhaps prefer is a little too weak."

He went on to confirm that disbursement of funds would he dependent on an IMF accord, dashing hopes hy senior officials that Japan might waive the requirement. Various big loans to Brazil, including a final \$600m tranche of commercial bank credits, agreed under the rescheduling deal last year, are held up by the country's failure to meet IMF targets.

#### **London visit** lifts hopes for Argentines

RESTORATION of full diplomatic and commercial links between Argentina and the UK has had further impetus from the presence in London this week of Senator Ednardo Mecem, brother of Argentina's President Carlos Menem, Robert Graham writes. Senator Menem, leading an Argentine delegation to a meeting of the Interparliamen-tary Union, has been underlining that both countries must set up realistic dialogue hy side-lining the Falklands sovereignty issue. Both now had a satisfactory mechanism to negotiate resumption of diplomatic and commercial links without Argentina renouncing

its claim, he said.

# Provincial unrest upsets Menem's austerity push

By Gary Mead in Buenos Aires

CONFLICT hetween central and provincial governments in Argentina threatens to upset President Carlos Menem's efforts to cut national government spending.

Under new legislation, Mr Menem's economic team has powers to end federal Treasury subsidies to the 22 provincial administrations, 17 of which are governed by politicians of the president's Peronist party. Mr Nestor Rapanelli, Economy Minister, Implemented such cuts last Friday.

But Mr Antonio Cafiero, who as governor of the largest prov-ince (Buenos Aires) and president of the Peronist party has much political clout, announced late on Monday that the provinces will he unable to pay the salaries of their administrative personnel this month if central government sticks to its word.

Mr Caffero fought a hard campaign against Mr Menem for the peronist party's presi-dential nomination last year. Economy ministers of all provinces are to meet a senior Economy Ministry official today to discuss the issue, and

are likely to back Mr Caffero's

demands for a reversal of Mr

Rapanelli's hudget cuts. Next

week, the provincial governors

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AWORLD OF UNDERSTANDING.

#### THE AMAZON

# Sowing the seeds of destruction

Tax incentives threaten Brazil's rain forest, reports John Barham

OURS after braze space Research Institute (INPE) claimed OURS after Brazil's this week that about 33,000 sq km of forest and scrub had been cleared by burning in the last two months, the figure was being challenged by the Government's environmental agency, Ibama.

Once again the great debate

Once again, the great debate on the conservation of the Amazon was submerged in warfare over disputed statis-

warrare over disputed statis-tics.
But, increasingly, ecological groups and international agen-cies such as the World Bank are arguing that the issue should not be how much forest is being destroyed but the end-ing of financial incentives behind the destruction. behind the destruction.
For two decades, Brazilian

governments - often sup-ported by international development agencies - pumped about \$1.5bn into tax relief, subsidies and other incentives into projects to develop the region, many of them ecologically dubious

Then, in April this year, came a symbolic reversal when the Government suspended indefinitely financial backing for cattle ranching in "dense forest areas" and introduced tougher environmental controls on industry.

But the whole body of governmental controls on industry.

ernment credit and tax policies still sanctions destruction of

the forest. Years of free-flowing public money have created a coalition of business, political and even criminal interests that vigorously oppose change. The incentives remain fully in place in the north-east of Brazil and the Amazon, where the Superintendency for the

Development of Amazonia (Sudam) is distributing \$70m in tax incentives to private companies this year.

A recent investment guide states that "in fiscal terms, [Amazonia] is one of the geographical areas that offers the greatest advantages to enter-

greatest advantages to enter-prises." Any company can deduct 25 per cent from its cor-poration taxes and put the savings directly into its own Sudam-approved mining, industrial or farming project or channel the credits into a fund administered by Sudam. Tax incentives can finance up to 50 per cent of a project, which pays no corporate taxes for 10

years.

Sudam is to make its largest grant to Mr Olacyr de Moraes, a leading São Paulo businessman. It will give him \$640m in tax credits to build a \$2.5hn railway linking Mato Grosso on the fringes of Amazonia, with the south of Brazil 1,000 miles away.

The agency is pressing ahead with grants for 21 highly controversial charcoal-powered pig iron and manganese plants in

the south of Para state. These plants will cut down 90,000-200,000 hectares of forest every year to turn trees into charcoal. The companies are meant to be forming eucalyptus plantations to provide an alterna-tive source of fuel. However, it

is doubtful that the mills will be profitable once the surrounding forest is depleted.

World Bank officials say agricultural policies are even more damaging. Agricultural income is lightly taxed in Brazil, so property has become a tax shelter for corporations and the wealthy Nowhere is tax shelter for corporations and the wealthy. Nowhere is land cheaper or more plentiful than in the Amazon. Speculation keeps prices rising. Ironically, farmers destroy the forest because anti-speculation laws consider uncleared land to be "unproductive" and hence pay higher taxes.

Stake ownership claims.

stake ownership claims. They use the land as collateral to raise loans or sell it for a quick profit. Farmers should only clear half their land but the law is not

All these policies benefit landowners, many of whom are locked in violent disputes with peasant farmers over property rights. In 1986, Volkswagen sold its 140,000 bectare Sudamsponsored ranch after reports that snbcontractors used forced labour to clear the jungle.

Like Volkswagen, most corporations preferred to invest their tax credits in cattle ranches. Sudam disbursed ahont \$700m - \$1bn in tax credits to spectacularly destructive corporate ranches.

Some 8m hectares of forest have been cleared for ranches, which are guickly infested by

have been cleared for ranches, which are quickly infested by weeds and secondary growth. Ranches are viable only as long as the tax money keeps flowing. The Government found that many ranches were being exploited only for their tax benefits.

But most Sudam funds were stolen: it disbursed nearly 100 per cent of incentives but only 40 per cent of approved projects have been implemented. This year, Mr Henry Kayath resigned as Sudam's superin-

resigned as Sudam's superin-tendent after he was implicated in a corruption scandal.
In comparison with farming,
mining in the Amazon seems

almost benign. In theory, mines need destroy a mere 0.02 sq km of forest a year to gener-ate \$1m in revenues - 250 times less than a commercial ruhber plantation and 5,000 times less than a cattle ranch.
Although operating costs are high, mines can be highly profitable because rich deposits lie close to the surface.

Even so, the Government provided massive support for the industry. Mining compa-



Brazilian settlers burn the rain forest to stake ownership claims to land which they can then sell for a quick profit

panoply of benefits and can import heavy machinery free of duty through the Manaus free port; and even after decades in Amazonia, compa-nies avoid paying full corpora-

tion tax.
The Government spent heavily on infrastructure pro-jects to attract mining invest-ments. For instance, the \$3.5bn l'ucurui hydroelectric dam in the eastern Amazon sends 40 per cent of its subsidised power to aluminium companies. How-

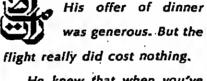
ever, the Government showed no interest in imposing envi-ronmental controls until very

New policies require compa-nies to submit environmental impact studies when applying for a mining concession. They must restore the forest once they have finished mining. However, the cost of restoring damaged areas is still unknown, because Amazon mines are still far from exhausObviously, policy changes are only meaningful if they are enforced, but the Govern-ment's writ does not run much beyond the Amazon's major cities. Although it underwrites the rain forest's pHage with public money, Brasilia cannot find the money to finance its environmental control depart-ments properly. They can hardly pay their telephone bills, let alone police an area larger than Western Europe.

Brazil is now recognising that policies should encourage

ecologically viable emploitation of the forest's resources. In Acre, in the far west of the Amazon, the Government cre-Amazon, the Government created reserves where peasant farmers harvest ruhber and Brazil nuts. The reserves were championed hy Mr Chico Mendes, the rubber tapper leader murdered last December. By making low-tech, small-scale development an interpretional lesson Mr Mendes. international issue, Mr Mende achieved more in death than during his years as an obscure

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# Malaria mosquito faces a tough time in boomtown

By John Barham In Ariquemes, Rondonia

MALARIA has swept through the Brazilian Amazon fast on the heels of devastating deforestation: Now, for the first time in decades, Brazil has inexplicably managed to stem the disease's phenomenal

In 1977, Brazil had 101,000 cases of malaria, By 1988, that figure had risen to 570,000, a world record. Last year malaria claimed an estimated 3,000 lives. Now, however, to the Health Ministry's surprise, malaria cases have fallen by 11 per cent in the first half of this

year.

The sprawling boomtown of The sprawing boomtown of Ariquemes, in the west Amazon state of Rondonia, proudly claims 30°, be the world's malaria capital. But recently, it has seen a dramatic improvement. In January, one of the peak months for malaria, notifications fell by 35 per cent. ons fell by

The anopheles mosquito, which transmits malaria, flour-ishes in the stagnant ponds left ishes in the stagnant pends left-by Ariquemes settlers slashing and burning the rain forest. Curiously, the people of Ari-quemes are as proud of their appalling health as a war vet-eran is of his wounds. Some people claim to have come down with malaria as many as eight times. In 1988, the city

down with malaria as many as eight times. In 1988, the city reported 240,000 cases of the disease, even though it has a population of only 150,000.

A khaki-uniformed paramilitary health brigade called Superintendency of Health Campaigns (Sucam), charged with stamping out endemic diseases, takes much of the credit. Its infantry travel the Amazon by jeep, cance and light aircraft systematically spraying houses and the forest with insecticide and testing the population for malaria.

msecticide and testing the population for malaria.

However, officials in Brasilia are not sure why malaria is declining, although embattled President Juse Sarney, desperate for good news, immediately claimed full credit for the immediatement. Dr. Dilarmendo.

de Rezende of the Health Min-istry's Malaria Division suspects changing rain patterns may be reducing the number of

mosquitoes. The Government is about to begin a five-year \$211m anti-malaria campaign, with half the money coming from a World Bank loan, Despite its sudden decline, malaria will remain a permanent threat in Amazonia Strains of the malaria para-

site have acquired immunity to conventional drugs. Prevention is impossible and relapses are common. A vaccine is still decades away and is unlikely to provide full protection from the complex relative varieties. the complex malaria parasite. Fortunately, the rate of set-tlement and deforestation of Rondonia by dirt farmers declining. But an estimated Im gold prospectors have

roam the jungle, spreading malaria wherever they go. Amazonians are remarkably ignorant about malaria. Dr zende explained that "anything that is not directly related to immediate survival — food and shelter — is ignored." A poster campaign featuring a larger than life diagram of the anopheles was proved a fallure when settlers reassured officials that three-filions measurities do not exist.

reassured officials that three-fi-long mosquitoes do not exist. Rather than spend heavily on prevention, the Ariquemes city authorities have set up a malaria hospital, which, they proudly announce, is the only one of its kind on earth. Treating malaria costs 8.5 per cent of the city's over-spent budget and officials claim that further anti-malaria efforts are hobbled by a chronic lack of funds

anti-majaria efforts are hob-bled by a chronic lack of funds from the Government. Yet the shortage of funds has not prevented the city from building a trailbike cir-cuit and a brand new skate-board park, even though few Ariquemes youngsters are wealthy enough to own even a skateboard.



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By order of the Board of Directors

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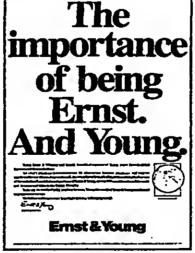
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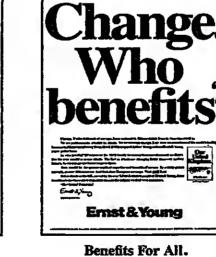
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#### **UNCTAD ANNUAL REPORT**

# Export reforms 'no guarantee of economic growth'

By William Dullforce in Geneva

UNCTAD's 1989 trade and development report pours some cold water on the idea that trade policy reforms designed to increase exports necessarily promote the economic growth of developing

Third World exports surged by some 13 per cent last year, with large advances in ship-ments of manufactures by some South-east Aslan and Latin American countries.

But after studying 32 developing countries which followed varying trade policies during the 1980s, Unctad's economists found that favourable export performance was not always synonymous with good overall economic performance.

In many countries the expansion of exports has taken place not through increased investment but mainly through shifting output away from domestic markets, which have been kept depressed by demand management policies aimed at generating trade sur-

Of the 31 countries for which data were available, 18 showed an increase in the ratio of exports to Gross Domestic Product of two percentage points or more between 1979-81 and 1985-87.

But in only three countries did the import ratio increase by more than 2 per centage points while in 21 others it declined by more than two

Exceptions to this general pattern are mainly found in South-east Asia.

Indonesia leads with a 44 per cent average annual growth in exports of manufactures between 1980 and 1987 and a 11.3 per cent annual increase in gross domestic investment. South Korea, Malaysia. Pakistan and Thailand were

among the nations combining substantial improvements in exports of manufactures with high rates of growth in invest-ments, manufacturing output

Mexico, Morocco, Venezuela, and to a lesser extent Brazil, negligible increases in overall protectionism.

'In many countries, the expansion of exports has taken place not through increased investment, but mainly through shifting output away from domestic markets, which have been kept depressed by demand management policies aimed at generating trade surpluses

output and falling investment ratios. Their export capacities remain fragile and their good export performance of recent

years could easily come to an end, Unctad comments. Nor is the favourable effect of the open trade policies and import liberalisation adupted by many developing countries this decade as yet proved.

Rapid axport growth was shared by countries with relatively low tariffs and few non-tariff barriers (Mexico and Mal-aysia), by those relying heavily on policies of selective interventinn (Indonesia and Tur-key) and by those with restriclmport policies

(Venezuela).

While acknowledging that some policy reform packages are too recent for a final verdict to be passed, Unctad comments that the countries conments that the countries concerned - Bolivia, Chile, Côte d'Ivoire, Ghana, Jamaica and Uruguay - need to realise other conditions for development, such as the accretion of skills, economic and social infrastructures, and policy sta-

bility.
The international agency also finds it "particularly dis-turbing" that, as more and more developing countries lib-eralise their trade regimes, the drift of policies in developed countries - the US and the showed strong growth in European Community are exports of manufactures but named - is toward greater

# Third World problems could thwart debt strategy

Relief cannot be confined to reform-minded nations, says Unctad chief. William Dullforce reports

THE FISCAL and mone-tary disorder prevailing in many developing countries can thwart the new Third World dsbt strategy embodied in recent agreements with Mexico and the Philippines, the United Nations Con-ference on Trade and Develop-ment warns in its annual

report published today.

The success of the debt-reduction plan launched last March by Mr Nicholas Brady, the US Treasury Secretary, is seen as depending on adjusting it, to take into account the cumulative damage inflicted on the financial systems of countries by the seven-year debt crisis.

In particular, the Unctad economists believe that in some heavily indebted countries - Argentina is cited as one example – economic disor-der is so heavily entrenched that the stabilisation pro-grammes called for hy the international Monetary Fund and World Bank under the Brady Plan are impossible without a prior easing of the

debt burden. Unctad, a forum for dialogue between the Third World and industrialised countries, was the first international organisation to call, in its last year's report, for sweeping debt cuts, including a 30-per-cent write-off of commercial bank

This year, while recognising that the Brady Plan represents a turning point on debt reduc-tion, the Unctad sscretariat considers that the innovations it has so far introduced are "too small to constitute a via-ble solution to the debt crisis".

Deht relief cannot be confined to countries such as Mexico which are able to establisb s track record for economic stability and market-orinomic stanlity and market-or-ented policy reform, Mr Kenneth Dadzle. Sec-retary-General, underscores in his overview of the 250-page

Among the symptoms of chronic disorder in many debtor countries listed by Mr Dadzie are rapld inflation, large budget deficits, excessive money creation, rapid accumulation of domestic debt, high real interest rates, repeated report. currency depreciation and capital flight.

Political factors are also adduced. Thus, the failures of the inflation-curbing programmes launched in Argentine and Brazil in 1987 are ascribed to "a continuing struggle by different population groups in attain income levels that were not mutually

compatible".

Pointing to an intensification of class conflicts, political instability and violence in a number of Third World countries, Mr Dadzie warns that hard-won gains in democratic institutions and human rights are in jeopardy.

In Unctad's view, it would be dangerous for creditor governments and international agencies to insist that, to be eligible for debt relief, countries have first to follow Mexico's examination of the countries in the countries i ple in curbing inflation and cutting their budget deficits.
Third World administrations would not be able to reconcile

the competing claims on

income from their peoples. Few governments could impose the

Debt outstanding countries countries

sharp cuts in real wages realised in Mexico, it is suggested. Argentina and Peru are year lending programme from the Bank can be used for inter-

mong the problem countries est support.
In theory, the two agencies can extend around \$20bn to countries for debt and debt serfor the Brady plan cited pri-vately by Unctad's economists. Mr Roger Lawrence, the money and finance director, says: The question is, where do we go after Mexico and the Philip-pines? We would like to see governments move quickly on Argentina, which is probably the litmus test for what one tions imposed, actual use is unlikely to approach this fig-ure. Unctad claims. can do with countries in seri-

ous disorder". Unctad's argument is that in its present form the Brady Plan can do little for debtor countries which are incapable of achieving economic equilibrium without first receiving deht relief.

The new policy guidelines allow some 25 per cent of a country's IMF drawing rights and World Bank structural adjustment loans to be "set aside" to support reductions in debt. Up to 40 per cent of a country's IMF quota and up to 15 per cent of its overall three-

vice reduction. In addition, Japan has pledged \$10bn in parallel lending, making a total pool of some \$30bn. In practice, under the condi-

For one thing, countries unable or unwilling to accept IMF and World Bank "conditionality" — the structural adjustment programmes imposed — are not eligible. For another, special justification, reflecting the strength of a reflecting the strength of a country's medium-term pro-gramme, is required for access to the interest-support facility, which makes up over half the

This could mean that it would be limited to countries which have managed to meet

meet such a test.

Japan has not yet clarified whether it will require "special justification" for the use of its \$10bn. Unctad economists point ont that Japanese accep-tance of this extra risk could be crucial for Argentina, which cannot provide a Mexican-type

track record. Even if the \$30bn were fully used, Unctad estimates that for the highly-indebted countries interest payments would fall by about 15 per cent and principal by less than 20 per cent. The minimum required is about double these figures, it claims. Unctad's recipe is, first, for

creditor governments to pro-vide more "carrots and sticks" in the form of inducements and in the form of inducements and sanctions for commercial banks in accept debt reductions. Second, it wants IMF conditionality to be eased, to take into account the diminishing capacity of debtor countries to achieve, in the face of a huge net outflow of resources, the social and political consensus necessary for economic ata-

bility and growth.

The longest chapter in the report seeks to justify this latter demand by analysing the increasing "macro-economic disorder" into which many developing countries have been plunged, in splte nf serious efforts to cope with debt repay-ments and declining commodity prices and conform with

adjustment programmes.

A hasic thesis is that the impact of the external shocks of the 1980s on the finances of

policy conditions for several years. Unctad assumes Only a bandful of countries could Since in developing countries a heen grossly under estimated. Since in developing countries a large part of the foreign debt is serviced through the public sector, the rise in interest pay-ments has added to public sector deficits at the same time as-cutbacks in lending created domestic financing problems.

Persistent and large fiscal deficits and rapid mnnetary expansion have been tha effects, even more than tha causes, of payments crises and inflation, it is argued. In many countries, debt payment became a question of domestic budget transfers.

Resistance by the private sector to making such transfers precipitated a struggle between the private and public sectors Where tariffs and other import charges were an important source of government revenus, reduced imports by the private sector have added to budget deficits.

In fact, the Unctad report ahows, deficits have been brought down in many debtor countries from the high levels reached during the early 1980s. But reconciling the differing policy objectives imposed on governments has proved to be impossible without a number

of serious trade-offs. Given the difficulty experienced by certain industrialised countries in making the relatively much smaller switch of resources from the private to the public sector needed to balance hudgets, it is not surprising that in developing countries conflicts between competing claims on income have remained unresolved. Mr

# Total debt burden of developing countries falls for first time

THE total debt hurden of developing countries fell in 1988, for the first time since the international debt crisis began, according to figures from the Organisation for Economic Conperation and Development,

Stephen Fidler writes.
Total external debt fell to \$1,240bn in 1988 from \$1,276bn a year 'earlier, of which long-term debt accounted for \$981 bn. down from \$1,002 bn. according to the organisation's 1988 survey. Financing and External Debt of Developing Countries. The report gives, in general, a positive assessment of the changes in the international debt strategy in 1988 and 1989 and, the new debt initiative launched by the US Treasury Secretary, Mr Nicholas Brady,

in March. "A significant breakthrough has been the official acknowledgement by the international community of the existence of a 'debt-overhang' in the middle income problem debtor coun-

Debt burdens fell, bntdebt servicing costs rose in 1988, partly because of higher US interest rates, to \$177.9bn from \$156.5bn in 1987. Net resource flows to developing countries fell by about 1 per cent in real terms last year — after adjustment for price and exchange rate changes - after remaining stable in 1987, the OECD

While official disbursements rose by about 1 per cent in 1988 in constant terms, private flowa declined. Nominal

resource flows, before these adjustments, showed the recov-ery initiated in 1987 was confirmed in 1988. While the increase in 1987 was due to higher official, and private dis-bursements, the 1988 nominal increase was due to higher disbursement of official grants and loans and export credits.

Resource flows to advanced developing countries, particu-larly in the Far East which no longer need the finance, have declined. For different reasons,

and the design of the second o

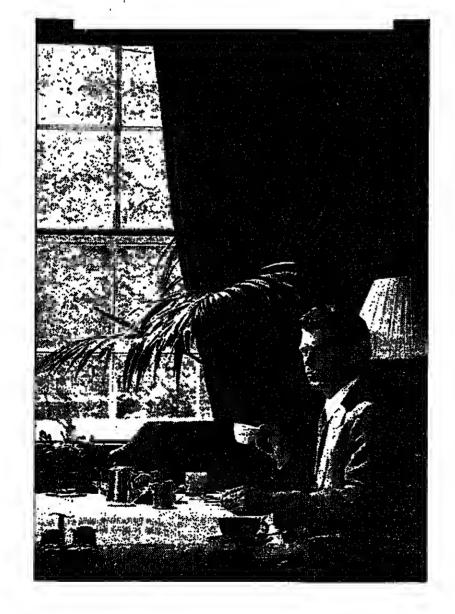
problem debtor countries -particularly in Latin America and the Middle East - continue to face financing con-

The nominal figures show official development finance rising to \$67bn from \$62bn and export credits growing to \$3hn after net repayments of \$700m the previous year. Private flows declined to \$32.9bn from \$35.6bm. Resource flows rose to \$102.9bm, the highest nominal level since 1982, compared with \$96,9bn in 1987.

The figures show that developing countries repaid \$4.3bn to the International Monetary Fund in 1988, compared with repaying \$4.7bn in 1987 and \$1.4bn in 1986. Capital flight from all developing countries is estimated to have risen to \$14bn in 1988 from \$11bn the year before.

Adjusted to 1967 prices, net resource flows slipped to \$96hn from \$96.9bn in 1987, \$96.3bn in

g Land



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# **OVERSEAS NEWS**

# Australian airline | Egypt seeks limelight of world diplomatic stage boss offers talks with strikers

By Chris Sherwell in Sydney

SIR Peter Abeles, powerful head of the TNT transport group and joint chief of Ansett Airlines, yesterday made an impassioned personal appeal to pilots to meet him personally over the dispute which has grounded all Australia's domestic flights.

At the same time he claimed some pilots had already returned and signed new con-tracts to work for Ansett, an assertion backed by Mr Bob Hawke, the Prime Minister, but hotly disputed by the Austra-lian Federation of Airline

Sir Peter's call was his first public intervention in the costly dispute, which is now into its third week. It cama against a background of increasingly vehement complaints from industries suffer ing grave disruption to their

Ansett is jointly owned by TNT and Mr Rupert Murdoch's News Corporation. The airline and its only competitor, the government-owned Australian Airlines, are losing an esti-mated A\$20m (£9.8m) in cash flows each week their aircraft

are grounded.
Sir Peter's appeal came in a letter to the pilots, who resigned en masse two weeks ago as part of their battle over a 29 per cent pay claim. In it, be said the group had to "rebuild" with pilots who had already returned, those who would reconsider and return, and with new applicants.

Saying he was "prepared, at all times, to talk to even my ex-employees," he invited them, "once more, to either meet me individually or in small groups, say 20-30, where we can have meaningful dis-

But he warned: "If I don't get a positive response to this personal approach then I reluctantly believe I will have to move fast and rebuild the company in a different way. . : The pilots federation, which the airlines no longer recognise since the Industrial Relations Commission cancelled its industrial agreements, said it was aware individual pilots were meeting Ansett, but



Abeles: personal appeal

added that they were insisting that the federation negotiate

for them.

In their public statements the airlines and the federation have both been talking recently of productivity deals as part of any new pay arrangements for pilots. This has been interpreted as offering severe for communities but ing scope for compromise, but it has underscored the lamentable failure to negotiate before

flights were grounded.

According to the airlines, the federation first notified them of its pay claim on July 26. But as far back as February pilots dis-rupted flights for a 24-hour period in a deliberate signal of

period in a deliberate signal of their pay grievances, and prep-arations for a full strike were public knowledge by May. In August the airlines insisted that the pilots negoti-ate within the centralised pay-fixing guidelines established by the Government and the by the Government and the trade union movement, which allow pay increases of 6 per cent and, at a push, 12 per-

The pilots refused, and nei-ther side appears to have made a serious attempt to reconcile the two positions before the dispute slid out of control. Yesterday's move by Sir Peter may turn out to be the first clear move by any of the partici-pants since then to end the bat-tle.

# Sanctions pressure makes 550 companies divest

By Peter Montagnon, World Trade Editor

MORE THAN 550 foreign companies have been obliged to divest their South African The outflow of capital and the lack of new foreign investment since 1985 have contribholdings since 1985 as a result of public pressure and sanctions policies, weakening the political and economic bargaining power of the country's black population, the Interos-tional Chamber of Commerce

said yesterday. Apartbeid was "morally indefensible," the ICC said in a submission to the UN hearings in Geneva on the activities of transnational corporations in South Africa and Namibia, but the departure of foreign companies had lessened pressure for change, increased black unemployment and poverty, and fre-quently led to a deterioration

in the conditions of blacks. The companies leaving South Arica under the ICC calculation was much higher than the total of 277 quitting since January 1984 established in a

report by the UN.
The ICC submission said that opinion polls taken in South Africa by a wide variety of organisations show the black population is opposed to action that threatens jobs.

uted to the increase in black unemployment, currently run-ning at 40 per cent of the active black population, it said. The record of foreign compamies operating in South Africa is that they have helped improve wages and employment conditions, introduced

force, promoted a framework for representative trade unions and challenged apartheid structures outside work.

More than 300 foreign companies there at present with more than 130,000 employees, subscribe to the US Statement of Principles, previously known as the Sullivan Code,

new skills to the black work-

and the European Community code of conduct which call for exemplary employment practices in the workplace and spending on social projects. These companies are making

an important contribution to South Africa's economic future, said Count Manfred von Roon, managing director of AEG's South African opera-

Tony Walker examines the reasons for Cairo's mobilisation of a sleek, well-dressed army of envoys

HEN President Hosni South conference on development issues, predominantly debt. Egypt is a member of a committee of four development. in Senegal's bitter dispute with neigh-bouring Mauritania it will merely mark the latest in a string of high-profile Egyptian diplomatic initiatives that recall the hectic Nasser era of the early 1960s.

No regional issue, no global dispute with a Third World dimension lies beyond the reach these days, it seems, beyond the reach these days, it seems, of hyperactive Egyptian diplomacy. An army of sleek and well-dressed Egyptian diplomats - Egypt has one of the world's biggest foreign services has been mobilised to promote the cause of the oppressed and the poor.

"They're good at it," said a Western official admiringly of the professional skills of Egyptian diplomats. "What we're seeing now is the culmination of a lot of effort that has been expended in the past few years"

of a lot of effort that has been expended in the past few years."

Current diplomatic initiatives, in a long list, include:

Efforts to organise African states to confront creditors. African foreign debt exceeds \$240hn (£154.8bn).

Attempts to promote a new North-

oping countries pushing for a "second

• Continuing efforts to bring the Israelis and representative Palestinians to the negotiating table. Mr Mubarak recently forwarded a 10-point proposal to the Israelis simed at expediting a resumption of the peace process.

Strenuous moves to bring about a peace settlement between the Suda-

nese Government and the southern rebels. Cairo has been intimately involved in a series of initiatives. A deeper involvement in the polities and preoccupations of Africa. Egypt has traditionally seen itself as principally an Arab and Middle East power, but recently has songht to strengthen its African role.

● A reactivation of Egypt's traditionally strong leadership role in the Non-Aligned Movement, of which Nasser was a founder. The most recent flurry of Egyptian diplomatic activity follows Mr Mubarak's appointment at the end of July to the

chairmanship of the Organisation of African Unity. This provided the Egyptians with an additional platform from which to pursue their regional and global ambitions

Last month's international debtseminar in Cairo was arranged by the OAU as a means of exerting pressure Western creditors to consider a collective solution. A statement issued at the end of the three-day seminar said pointedly: "Africa should not relent until the international conference is convened and a lasting solution is found to the debt

Another important factor in Egypt's move back into the diplomatic limelight was its readmission in May to the Arab League after a 10-year suspension following its 1979 peace treaty with Israel. This has enabled it to proceed the control wile in Arab Police. reassert its central role in Arab poli-tics as befits the most populous and militarily powerful Arab state.

Since June, Cairo has been extremely active in regional Arab affairs, pushing for a fresh initiative on the Lebanon Issue, mending fences with Libya and edging towards improved relations with Syria. Only Syria and Libya among Arah states who broke off relations in 1979 have

yet to resume formal ties.
Egypt is also involved, through the OAU, in efforts to end the war between the Ethiopian Government and Eritrean rebels and to find a solution to the conflict in the Western Sahara between Polisario guerrillas and Morocco, it also played a role in helping to hring Chad and Lihya together, although in the end it was Algeria that got the credit.

ll this strennous diplomatic activity is not motivated entirely by altruism. Cairo's attempts to mobilise collective Third World action on the deht issue is partly attributable to self interest. Egypt, whose foreign debt totals \$50bn, is in the same debtor league as some of the more extreme Latin

Egyptian officials would not be so crude as to suggest that Egypt's aim was to secure debt forgiveness, but it is clear that they sees collective action as the best approach. "We want

and contribute to a solution of our own problems," says Dr Boutros Ghali, the Minister of State for Foreign Relations, and mastermind of

Egypt's African strategy. Egypt's highly visible efforts to bring Israel and the Palestinians to the negotiating table are likewise aimed in part at promoting Egypt's image as a hulwark against extremism, and therefore as an asset to the

West deserving of greater assistance. Egypt's interest in belping to resolve the Ethiopian and Sudanese conflicts is motivated by its very basic concern about the security of its water supply. It is almost totally dependent on the waters of the Nile that flow through Sudan after rising in the highlands of Ethiopia and in

neighbouring states.
Egypt's drive for international diplomatic success is also partly attributable to the desire of its officials to counter the dismal economic news at home. One Western official said thet this action enables the hard-pressed Cairo Government at least to show signs of having standing abroad.

# Gandhi plans \$18bn-a-year environment study fund

MR RAJIV GANDHI, India's Prime Minister, yesterday suggested creating an \$18bn.a-year international environment fund.

Speaking on the second day speaking on the second day of the 102-nation Non-Aligned Summit in Belgrade, Mr Gandhi said the Planet Protec-tion Fund could come under UN auspices, developing envi-ronment-friendly technologies which would be switched to which would be available to

Ha estimated that if meinbers contributed one thousandth of their gross domestic product the fund would receive \$18bn a year With the four-day summit

focusing hard on economic themes, Nigeria proposed a three-pronged approach to lift-ing the Third World's debt bur-

Nigerian President Ibrahim Babangida said debtor nations were showing courage in restructuring their economies but needed understanding policies from their creditors.

He proposed that:

• All official governmentto-government debts be cancelled.

 Repayments to the Interna-tional Monetary Fund (IMF) and World Bank be eased by giving debtors new soft

 Debts to commercial banks be bought at discounts of up to 80 per cent by a new agency set up under the IMF and World Bank. In a further initiative, Peru

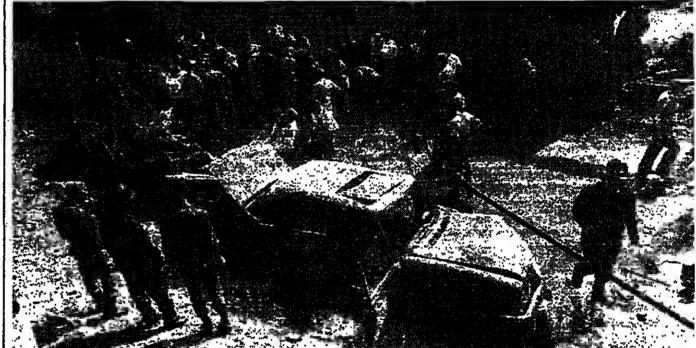
announced that it and 10 other countries had set up an infor-mal group to put across the Third World viewpoint on debt, trade, monetary stability and other economic problems. Peruvian officials said the

group, which includes Yugo-slavia, Algeria, Venezueia, Zimhahwe, Indonesia, India, Egypt, Argentina, Nigeria and Senegal, would fulfil a role similar to that of the Group of Seven leading industrial noncommunist countries.

President Carlos Menem of Argentina is to visit the Middle East in an attempt to bring peace to the region and particularly to Lebanon, Argentinian officials said yesterday. They said Mr Menem, whose

parents cama from Syria, had discussed plans with leaders from Jordan, the Palestine Liberation Organisation, Saudi Arabia, Syria and the United Arab Emirates while in Bel-

# BEIRUT CAR BOMB AS CHRISTIANS MOUNT ANTI-US PROTEST



A CAR bomb exploded near a market in Christian Rast Beirut yesterday — pic-tured abovs — killing the two occupants of the vehicle and injuring seven pass-

The explosion coincided with an uneasy full in artillery bombardments since Monday and with a demonstration by some 1.000 Lebanese Christians in front of the US Embassy, Lara Marlowe writes from Beirut. The protesters are demanding sup-port and that the US recognise General Michel Aoun, their leader, as the coun-

The action was organised by Mr Gibran Tueni, a newspaper publisher, who sits on the board of the Christian Lebanese Phalange, or Lebanese Forces militia.

The demonstrators say that, just as Lebauon's Christian enclave has been block- States have sold Lebanon to Syria," Gen

SOUTH KOREA and Iran have

joined Japan in demanding an

upgrading of their position in

the International Monetary

Fund, adding to the complexity of already difficult negotiations

over boosting the IMF's finan-

The question of whether to raise the quotas or subscrip-tions of IMF members will be a

leading issua at a meeting of the Fund's policy-making Interim Committee in Wash-

ington on September 24. So far little progress appears to have been made on resoiv-

cial resources.

By Peter Norman, Economics Correspondent

IMF grading challenged

to number two, displacing Britain, and the wish of most

Fund members, backed by its

own management, for a quota

increase to strengthen its

According to international monetary officials, both South Korea and Iran support their

claim for a bigger role in the

IMF with the argument that their present quotas do not reflect their importance in the

world economy. This is the argument that Japan has been using to support its demand for

an IMF npgrading.
The issue of a large quota increase sets most IMF mem-

financial resources.

aded by Syrian artillery since March, they will "tighten [their] slege" of the embassy until the US Ambassador, Mr John McCar-

thy, is withdrawn or denounces Syria.

Two US embassy buildings in Beirut
were destroyed by suicide car-bombers in
1983 and 1984. A token embassy annex in West Beirut was quietly shut down this summer when adjoining land became part of the Syrian military zone on the West Beirut peninsula. In an effort to maintain US nsutrality

in the current conflict, Mr McCarthy, who arrived in Beirut after the aborted Lebanese presidential election a year ago, has not presented his credentials to either of Lebanon's two governments.

Gen Aoun has also joined in the verbal offensive against the US. "The United Aoun said bitterly last weekend. Before yesterday's protest at the embassy, his followers had lost little time in demonstrating their indignation towards the power which, after France, traditionally supported the Maronite ruling class.

A crowd calling itself the Supporters of Liberation had surrounded a restaurant near Mount Sannine, where Mr McCarthy was dining. "McCarthy go homs," they chanted as his bodyguards scuffled with

The protestors have been encouraged by the words of a former Papal Nuncio to Lebanon, the Lebanese-American, Monsignor John Assaf. After conferring with Gen Aoun last week, Mgr Assaf told reporters that "American public opinion supports Lebanon and its people, but the US administration favours Syria."

# Protests grow in S Korea

By Maggie Ford in Seoul

OPPOSITION parties in South Korea yesterday strongly crit-icised a government attack on

icised a government attack on university leaders as 5,000 students protested in the provincial city of Kwangin against the crackdown.

The Ministry of Education has demanded the sacking of 65 university presidents, including a number of senior Buddhist leaders, for breaking laws relating to corrunting laws relating to corruption, accepting bribes and for admit-ting students who had been punished for political activity. Prosecutors have warned that they plan to investigate corrupt activity in universities

which bans contact with communist North Korea.

in Seoul yesterday prosecu-tors released the head of the Buddhist-run Dongguk University, arrested on charges of accepting bribes to admit students. They said Mr Lee Ji-kwan, the university president, would not be able to impede investigations if freed. However, four officials arrested with Mr Lee last week

on charges of taking Won2.1bn (£2.05m) from parents of 46 students, are still being held.

Prosecutors bave already come under attack for indicting the opposition leader, Mr Kim Dae Jung, under the National Security Law.

# ing two problems central to the quota issue. These are Japan's desire to move from number along with compliance with the National Security Law, five in the IMF pecking order the largest shareholders. Peking parties to forget Communism Peter Ellingsen reports on how students are finding an antidote to repression



Dancing in Tiananmen Square the night before the army opened fire

where three months ago I watched several soldiers being ripped apart, Peking is bopping to the sounds of a local rock band.

Art students, hair long and clothes hip, drink beer and dance. It is past midnight hnt tha venua, marked only by a dusty sign and a makeshift check-in table on the footpath, is jumping. Young men wearing the requisite white sneakers, jeans and loose T-shirts, bounce on the balls of their feet, singing along with the melodramatic vocalist, all the while beaming the wide smiles not

recently associated with China.

By current Peking standards it is intimate, casual and very bourgeois.

Many songs are sung in English, and the chat is as much chat up as dialogue. Young women flaunting their best ersatz designer outfits linger coyly, well aware of the male attention. There may be an anti-Western values drive on but these young people show no sign of adhering to it.

Forget the machinegun toting sol-diers on the overpass outside, and this could be anywhere. Even the two uniformed policemen slouching hy the lavatory seem anonymous. Yon have to remind yourself that this is Communist China in the throes of a martial law crackdown. The paradox is hard to reconcile

and most don't try. Following the

HE BEAT goes on On Friday decade's most appalling tragedy, remembering is simply too painful. Peking three months after the tanks remembering is simply too paintal. Peking three months after the tanks rolled in, is a city determined to survive, and if that means appearing to forget, the perspiring patrons of this night spot will oblige. It is not that they're ignorant, just that suffering and fortestance are locked in the and forbearance are lodged in the Chinese psyche.

Consider a young man, let's call him Guo. I met him in a street market this week talking with friends. He struggled to gain a place in an elite Peking college four years ago and now, like many graduates who played a peripheral part in the student protests, is jobless and unlikely to realise his dream of attending an American university. At least he is not in jail or in hiding, like a num-

ber of his classmates.

But in the aftermath of the crackdown, liberty is purely a concept. It is the Party which controls the hig choices, and it has decreed that he give up his permit to live in the capital and work in the rural areas for two years before undertaking further study, travel, or desirable city

But though his immediate plans have collapsed Guo's dsmeanour remains huoyant and polite. He believes neither the official account of events of June 4, nor the ideological polemic pouring out of the media. Yet he publicly toes the line and laughs when I suggest he could

end up in trouble. "The Government is very bad," he says quietly. "The leaders are old and out of touch, but they can't live forever. We know the

truth, they can't alter thet."
But they have tried. State TV has run footage in which reality had been re-assembled; army trucks burning and peopls scrambling over tanks, with no suggestion that the military machine had done anything but defend itself; soldiers wielding automatic weapons were the victims, abused by a howling mob.

The spirit of the young in Peking demonstrates how rigid state controls have produced only outward acquiescence'

Goo's attitude was unexpected, hnt as I discovered, far from unusual It soggests that the Government's hully-boy tactics are failing. This educated generation is not as pliable as the last. Raised on consumerism and rising expectations, they bave shaped their own ideology, and it owes little to Marx.

A 21-year-old student encountered in a Peking hotel explained. After checking over his shoulder for informers, the young man, who had been frantically gyrating to a Chi-

nese rendsring of Jimi Hendrix, whispered: "All we can do now is wait. Our time will come." A subway daubing, amazingly intact months after the massacre, elaborated the tbsme: "All these things are to be answered for."

The scope of the repression is diffi-cult for an outsider to appreciate. The streets of Peking hustle with energy, and smiling faces are easily found

Yet the tanks of June were only the visible tip of a juggernaut that has long been trampling lives. The system of fear and indoctrination continues, convincing no-one while creating paranoia from which there

is little respite. A Chinese woman, inspired by the milder precursor of this year's democracy movement, the "Peking Snring" of 1979, remembers being unable to sleep for months after the inevitable government crackdown. "Not knowing what would happen was the worst," she said. "You felt nervous in case someone said something and the police came for you."

In China, with its network of neighbourbood committees, work units and ever present, prying eyes, misbehaviour is inferred, not necessarily committed.

Innocence is questioned, not guilt. But as the spirit of the young in the capital demonstrates, the rigid state controls produce only outward

# hold up plan to speed investments By Hugh Carnegy in

Israeli MPs

Jerusalem

A PLAN by Mr Shimon Peres, Israel's Finance Minister, to accelerate mucb-needed job creation by attacking bureaucratic obstacles to new investment projects has this week run into political flak and par-

liamentary red tape. Finance Ministry officials saw the plan as a decisive and effective sbort-term response to unemployment approaching 10 per cent of the workforce, as well as an important signal of a long-term determination to restructure the state-dominated economy. But political bickering between the Likud and Labour parties, the main partners in the national coalition Government, has got the plan off to a had start with hopes for its swift implementation being held up hy a dispute over which committee of MPs should handle its passage

through the Knesset. Mr Peres, leader of the Labour Party, hit on the idea last month of empowering a three-minister committee, headed by himself, to force through at speed the dozens of official approvals required by many investment projects before they can get off the

He proposed picking 100 required completion of the offi-cial approval process before work on them could get underway. Although deliberately not listed in full for fear of com-plaints from those excluded, examples ranged from a \$30m plan by Voice of America to build a transmission relay station in Israel, to large industrial projects such as a plans to develop copper mines near the

southern port of Eilat.
"The country is full of projects and money available for investment. But what can we do if 55 licences are are required in order to start an avocado grove in Israel?" Mr Peres asked members of the Knesset. The scheme was approved by the Cabinet, including Mr Yitzhak Shamir, the Prime Minister and leader of the Likud.

However, many Likud mem-bers were unhappy, suspicious that the plan deliberately sought to exclude Likud influence and would favour investments in Labour areas. It did not escape their attention thet although Mr David Levy, the Likud Housing Minister, was included on the new bureaucracy-busting committee, the Likud ministers of Industry and Trade, Economic Planning and Tourism - all key offices in the licensing procedure – were not.

#### Commonwealth Games funded

By Terry Hall in Wellington THE New Zealand Government last night moved to guarantee next January's Commonwealth Games which are faced with a

serious funding crisis.

The move followed last week's disclosure that the Games faced a deficit of NZ\$25m (£9.6m), although some reports put it as high as NZ\$50m. Under an accord hammered out in Auckland last night the Government will underwrite the Cames by some NZ\$7m, on top of existing gifts and commitments of NZ\$13m. Local bodies in Auckland will guarantee a further NZ\$13m

against projected losses. Problems developed in August after British and Commonwealth sportsmen decided to tour South Africa and there

was talk of a boycott. Games organisers said this provoked some corporate sponsors to defer funding decisions in spite of assurances from hlack African countries that they had oo quarrel with New Zealand and would attend.

#### **WORLD TRADE NEWS**

# Australian consortia The Buenos Aires red tape begins to unravel bid to supply radar defence systems

By Chris Sherwell in Sydney

THREE Australian-based international consortia are bidding for a lucrative A3600m (£294m) contract to supply e novel over-the-horizon radar system which will help defend the continent's northern

approaches.
The office of Mr Kim Beazley, Defence Minister, confirmed yesterday that the three

hidders were:

Broken Hill Proprietary (BHP), Australia's largest company, through its aerospace and electronics subsidiary, in collaboration with Raytheon of the US. The computer group Logica is also believed to be involved.

O Telecom Australia, the state-owned telecommunications company, which has teamed up with Marconi of the

• AWA, formerly Amalgamated Wireless of Australasia, which has linked with General Electric of the US and Transfield, the local construction group which recently won the Navy's A35bn frigates contract with Blohm and Voss of West

The contract involves the supply and construction of three separate radar systems. They are located in central Queensland, northern Western Australia and near Alice Springs, in the arid heart of the continent.

When tenders closed earlier this week, the three consortia submitted some 27 volumes of documents which were in support of their bids.
The radar systems are part of e wider multi-billion dollar procurement programme designed to increase Australia's self-reliance in defence.

It includes F-18A jet aircraft, Sikorsky Black Hawk helicop-ters, fleets of diesel-powered submarines and light patrol frigates and an airborne early

warning system.

Jindalee, an Ahoriginal word
meaning "bare bones", is a
ground-based over-the-horizon radar system which can detect aircraft movements as far north as Singapore.

Described as Australia's "northern eye", it was success-

fully used in the recent Kangaroo '89 military exercise which deployed Australian and US forces in the north of the conti-After experiments in the

1970s, the present more powerful system was installed in 1981 north-east of Alice Springs. Employing the same princi-ple as short-wave radio broad-

casts, it uses an arrey of radiating cables to bounce high frequency signals off the ionosphere, and then detects distant moving targets with large receiving antennae. Mr Beazley's office said it

would take months for the bids to be examined and no announcement of a successful bidder was likely until early next year.
The contract would take

some years to fulfil.

British exports to Argentina will take time to pick up again, Gary Mead reports Since August 3, British exporters have again heen free to sell their

would then disappear in a maze of hureaucratic fuddle.

The crafty thing was that prior to applying for your DJNI you had to deposit, in cash with the

central bank, 10 per cent of the Free On Board value of your

"It was impossible to get that deposit back, even though

it was clear that the DJMI application was heing end-lessly delayed. When one asked

for the deposit to be returned the official answer was always:

But the application for the

DJNI has not yet been

changed: DINI forms for Brit-ish goods are now, according to Mr Herbert "almost automati-

cally approved. He hopes the whole DJNI process, a form of non-tariff trade barrier, will go

early in 1990 under pressure from some member nations of the General Agreement on Tar-

iffs and Trade.

The end of DJNI will also suit President Carlos Menem's

drive to slash the state hureau-

cracy - some 8,000 civil ser-

That situation at least has

proposed import.

there is a legitimate need to import the product, ie that no local manufacturer makes the goods or that the local version is different. Without the DJNI you heve no legal right to import foreign goods. Obtaining a DJNI is normally a relatively fact procedure. But with products direct to Argentina rather than resort to triangulation. This follows the Argen-tine Government's decision to lift a trade ban against UK tively fast procedure. But with British products it was almost But one company based in Buenos Aires has been legally impossible.
"When the application for a DJNI for a British product was fed into the Trade Secretariat's computer, it automatically rejected the application. And that was that Your application.

importing British goods for several years, According to Mr several years. According to Mr Richard Herbert, who runs Export Resource Management (ERM)\*, which besides advis-ing businesses on trade with Argentina has since 1983 actively traded with Britain, the ban on UK goods "was in any case never laid down in any case never laid down in writing". The previous Argen-tine Government, under President Raul Alfonsin, refused to put the ban in writing because that would have opened Argen-tina to accusations of restric-

tive trade practices.

Not only could the British
Government have taken reprisal action; it could also have taken the case to international institutions keen on eliminating barriers to free trade, such as the International Monetary Fund and the World Bank, with which Argentina hes

enough problems. So, rather than place formal restrictions on trade with Britain, the Alfonsin administration preferred the tried and trusted means of bureaucratic obstructioniem. Mr Herhert explained how it operated. "To import any product you

must apply for a Declaracion Jurada de Necessidad Importar, or DJNL from the Secretary of frade. The DJNI certifies that

as other commodities such as vegeta-

bles, pigs and rice. It has never been

let down by China, despite ocasional

political tensions, and this year

vants are helieved to be employed in operating the DINI system

In mid-1984 Mr Herbert legally broke through the unwritten trade han by per-suading sympathetic Argentine officials that one product was highly useful for Argentina, and that no local producer could compete. After much patient wrangling he obtained legal permission to import from Amersham International (the first state-run UK com-pany privatised by Mrs Mar-garet Thatcher, in 1982), radioactive diagnostic kits for human medicine.

Mr Herbert said: "I argued that the trade ban was set up by the Argentine Government in order to damage Britain. By barring the product I was interested in bringing in, the Argentine consumer was being more damaged than any British interest. Fortunately even in those days there were some officials who applied commonsense rather than prejudice." Before that, in 1983 he

explored importing bovine semen from the England and Wales Milk Marketing Board. The MMB has wonderful statistical evidence to back up its predictability claims. In Argentina 43m cows have to be made pregnant every year. With the semen I import from the MMB I can offer Argentine farmers better than a 90 per cent guarantee of the type of product they will get from the

semen. No one can offer that service here." Nevertheless, it took a further three years before the necessary paperwork, involving

#### **UK trade with Argentina**



greement between the UK Ministry of Agriculture and Fisheries and its counterpart in Argentina on health tests, before imports started moving. Mr Herbert believes it may be some time before there are signs of UK exports recovering from last year's £18m to the £161m of 1981, the year before the Falklands War.

"After the recent announcement of the relaxation against British goods, the Latin American Trade Advisory Gronp (Latag), a Department of Trade and Industry sub-branch in London, sent a telex to the British Chamber of Commerce in Buenos Aires. The DTI telex said that it was interested in sending an exploratory trade mission as soon as possible in the light of the new develop-ments, and mentioned October

this year as a possible date.

"The chamber's reply talex said that everyone here is too busy trying to stop their busi-ness from collapsing, and that

the trade mission should not come before April 1990. Given all the bureaucratic tangles in the Argentine system that's a ridiculous response. It takes at least six months to start trading after the initial move is made. Many people have grown comfortable living with this moribund state of affairs, and worry about future compe-

It is now an increasingly open secret that Mrs. Thatcher's advisers are planning a Latin American trip for her in 1990. Although diplomats on both sides of the divide suggest it is still too early for her to visit Buenos Aires, perhaps by then there will be some practical trade reasons to prompt, if not her visit, then that of subsequent British prime minis-

\*Export Resource Manager SA, Avenida Corrientes 932, Buenos Aires 1043, Argentina. Telephone 396-1112; telex 25498 ERM SA-AR

# Afro-Arab initiative on investment

ARAB and African nations hope to inject zest into a flagging 12-year-old campaign for Afro-Arab solidarity with new deals to foster investment and trade ties, Revier reports from Cairo.

Finance winisters from both

Finance ministers from both sides will meet in Washington this month to iron out statutes for a new institution to pro-mote and guarantee Afro-Arab

investments.

It will have \$500m capital and is one of several projects on the drawing-board including a draft agreement for a Free Trade Area.

My Ida Outpurs and Area.

Mr Ide Oumaron, sec-retary-general of the 50-mem-ber Organisation of African Unity, said: "Afre-Arab co-op-eration has, maybe, finally, taken a decisive turn towards concrete form".

Mr Oumerou, attending a recent debt seminar in Cairo, said the ministers would meet aid the ministers would meet at the World Bank and Inter-national Monetary Fund amount meeting scheduled for September 26 to 28.

The quest for solidarity took on added significance with the

on attack of Egypt's President Hosni Mnharak as GAU chair-man in July – the first Arab leader to hold the post for

many years.

Delegates to the annual OAU summit in July reaffirmed their commitment to strengthen African and Arab ties in all fields.

Some acknowledged, however, that efforts since the only Afro-Arab summit to date in 1977 had been

# Soviet Union prepares to strengthen ties with Chile

By Barbara Durr in Santiago

Chamber of Commerce, is in Chile preparing a visit by a Soviet commercial delegation for later this year.

Mr Zinojev is the first Soviet citizen to be granted an official visa to Chile since General Augusto Pinochet took power in a coup in September 1973. Although there has been some trade between the two

MR. Nicholas Zinojev, the nations since 1973, diplomatic Director-General of the Soviet relations have remained

and Hungary, where they signed letters of intent to increase bilateral trade.

severed. The Soviet visit is part of a recent Chilean effort to open new markets in the East bloc. In July a delegation of the private Chilean Exporters Association made a tour of East Germany, Poland, Czechoslovakia

By John Elliott in Hong Kong HONG KONG has a 15-year old little metres - of the colony's potable water is being drawn 85km inside China from the East River, tributory used water de-salination plant for sale. Obscure though this may seem,

it is politically significant because it of the famous Pearl River. Supplementing this, the remaining 30 per cent comes from rainfall on Hong Kong which is stored in two offshore reservoirs. There is also an additional 110m cubic metres of sea water used each year in its original color water used each year in the original demonstrates the British colony'e con-tinuing faith in its co-operative rela-tionship with Peking, despite tensions over details of its return to Chinese sovreignty in 1997. For almost 30 years Hong Kong has become increasingly dependent on salty state to cool air conditioning China for its water supplies, as well plants and flush toilets.

Hong Kong's water demand has increased by an average of 8 per cent a year over the past 20 years, slowing to 6 per cent in the 1980s. This far exceeds the population growth of 1.21.5 per cent and has been generated by fast industrial growth, and by the extension of mains water supply to all hut 30,000 of the 5.7m population.

Water supplies still run deep in Chinese relations with Hong Kong

Such growth would not have been possible without the supplies from China which started in 1960 with a modest 23m cubic metres. As relations with China eased, the supplies increased and are now covered by an agreement which runs up to 1994-95. This stipulated 500m cubic metres for this year is to increase by another 100m cubic metres because Hong Kong's reservoirs are depleted by poor

Mr K L Wong, the director of water

supplies, expects to start talks soon on a new post 1994-95 agreement, which he hopes will increase the supply to 1.1bn cubic metres a year by around the year 2003.

In 1975 a HK\$390m (\$50m) water desalination plant was installed to. reduce the reliance on China. But pro-cessing the water is six times as expensive as buying it from China. and more importantly, Hong Kong seems to feel secure in its water rela-tionship with China and no longer sees the plant as an important alter-native source. So it is being sold as a political and operational irrelevence. Officials say that there has never

been any indication that China would threaten to cut off water supplies as part of some row with Hong Kong, and there has been no sign of any problem in recent weeks when tensions have increased because of British and Hong Kong demands that the Chinese army should not be stationed in the territory after 1997.

But that is not to say that the reliance on Chinese water is politically irrelevent. For years, British and Hong Kong officials have been sensitive to the ace that China holds and some say that this is one of the reasons why the UK has sometimes been reticent in its dealings with Peking.

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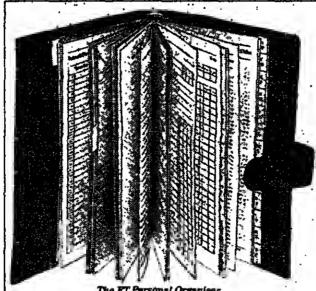
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# **COMPANY NOTICES**

C. ITOH & CO., LTD. (TTOHCHU SHOJI KABUSHIKI KAISHA)

IMPORTANT NOTICE

Hambros Bank Limited ("Hambros") have been advised by C. Itoh & Co., Ltd. ("The Company") that the meeting of the Board of Directors held on 30th August, 1989 have resolved to issue new shares to Shareholders. Particulars of the issue are as follows:

1. As of 20th November, 1989 the Company will make a free distribution of New Shares out of a certain portion of the amount of the Stated Capital, such amount being an excess amount over the total par value, pursuant to the provisions of Article 293-3-2 of the Commercial Code of Japan. The amount of such portion to be arrived at by multiplying 50 Yen by the number of New Shares to be increased.

2. The New Shares will be allotted to Shareholders of record as of 30th September, 1989. At the rate of 0.05 New Shares for each share owned as of that date. Fractional shares will be sold en bloc and the proceeds distributed to the Shareholders entitled thereto.

All other necessary matters concerning the proposed issue will be determined by the Board of Directors of the Company.

Holders of Bearer Depositary Receipts (B.D.R.S) issued by Hambros will be informed in due course of the procedure to be followed to obtain their New Certificates (and any cash due to fractional entitlements), with respect to this issue.

6th September 1989

Hambros Bank Limited

#### C. ITOH & CO., LTD. (TTOHCHU SHOJI KABUSHIKI KAISHA)

TO: Warrant Holders

Notice and adjustments of Warrant Exercise Price to Holder of

ECU.100,000,000 21% guaranteed notes due 1991 with Warrants U.S.5500,000,000 21% notes due 1992 with Warrants U.S.5400,000,000 41% notes due 1993 with Warrants ECU.100,000,000 31% notes due 1993 with Warrants U.S.\$1,000,000,000 4 1/2 notes due 1994 with Warrante

Pursuant to Clause 4 (A) and (B) of the instruments under which the above described Warrants were issued, notice is hereby given that oo 30th August, 1989, the Board of Directors of the Company resolved to make free distribution of shares of its Common Stock to Shareholders of record as of 30th September, 1989 (Japan time), at the rate of 0.05 New Shares for each share held.

As a result of such issue, the Warrant Excercise Prices at which shares are issuable upon the excercise of the Warrants will be adjusted subject to and in accordance with Clause 3 of the

Effective from 1st October, 1989 (Japan time), The Current Warrant Excercise Prices for the above listed issued are Yen 477.60, Yen 705.70, Yen 876.90, Yen 876.90 and Yen 1,025.00, respectively, the Warrant Excercise Price after adjustment will be Yen 454.90, Yen 672.10, Yen 835.10, Yen 835.10 and Yen 976.20, respectively.

6th September 1989

PERSONAL C. ITOH & CO., LTD.

At the meeting of the Soard of Directors held on 30th August, 1989 the following matters have been determined. The Interim Dividend for the year ended Stat March, 1990 shall be paid to Shareholders of final record as of 30th September, 1989. The amount and time of caymen

erect shall be held on wember, 1989. 5th September 1989 HAMBROS BANK LIMITED

PUBLIC SPEAKING Overcome the feer an nervousness of public speaking. Phone Leadership Stills Training 01-800 2197 ART GALLERIES

CRANE KALMAN GALLERY 'A Selection of paintings' Boodin, Burra, Chedwick, Con-der, Hepwerth, Hoffmann, Lovery, Moore, W.Micholson, Matthew Smith, Russian Speer, 178 Brompton Rd, SMS, 01-68-7566/3843, Daily 10-0; Sats 10-6. CLUBS

EVE has outstreed the others because of a policy on fair play and value for money. Supper from 10-330 am. Disco and top musiciars, glamorus hostesses, exciting from hors. 01-724 0557.169, Regent St.

LEGAL NOTICES Warrants to subscribe for

shares of common stock of

Sanyo Special Steel Co., Ltd. issued in conjunction with an

US\$80,000,000 3%% Guaranteed Notes 1992 and

US\$100,000,000 41/6%

**Guaranteed Notes 1993** Notice is hereby given . .

as follows:

1. On 5th September, 1989, the Board of Directors of Sanyo Special Steel Co., Ltd., resolved to make a free

distribution of sheres of its Common Stock to shere-

bolders of record on 30th September 1989 (Japan time) at the rate of 2 new shares for 100 shares held.

2. Accordingly, the current Subscription Price (YEN 567)

per share of the Westents issued in conjunction with US\$80,000,000 3%%

Guaranteed Notes 1992 will be adjusted to YEN 555.90

per share, and the current Subscription Price (YEN 856)

per share of the Warrants issued in conjunction with US\$100,000,000 41/2%

Guaranteed Notes 1993 will be adjusted to YEN 839.20

per share, both with effect from 1st October, 1989

SANYO SPECIAL STEEL CO., LTD.

By:
The Teiyo Kobe Benk Limited
. se Principal Paying Agent

Deted: 8th September, 1989

(Jepen time).

NOTICE INHEREBY GIVEN, DUTTON

from 46(2) of the Insolvency Act, 1986, then a meeting of the unsecured creditors of the above-nemed company will be held at: Crotaerd House, to Albion, Place Malidelose, Kerts, on 14 September 1989 at 11.00 am for the purpose of having laid before it a copy of the report, prepared by the Admiralstrative Receiverist under Section 48 of the said Act. The meeting may, if it thinks its, sestables a committee to exercise the functions con-tered on creditors' committees by or under the Act.

Creditors are only entitled to vote if: (a) they have delivered to us at the address shown above, no later than noon on 12. September 1999, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Role 3.71 of the insolvency Rules 1990; and

(b) there has been fodged with we any proxy which the creditor intends to be used on bis or her behalf.

Please note that the original group signed by or on behalf of the graditors must be lodged at the address monitoned; photocopies (including faxed copies) are not sebeptable.

SPALEE DEVELOPMENTS

Plo. C J Hughes and J M Thompson, John Ad-latestive Receivers (office helder note) 2

HOLIDAYS & TRAVEL

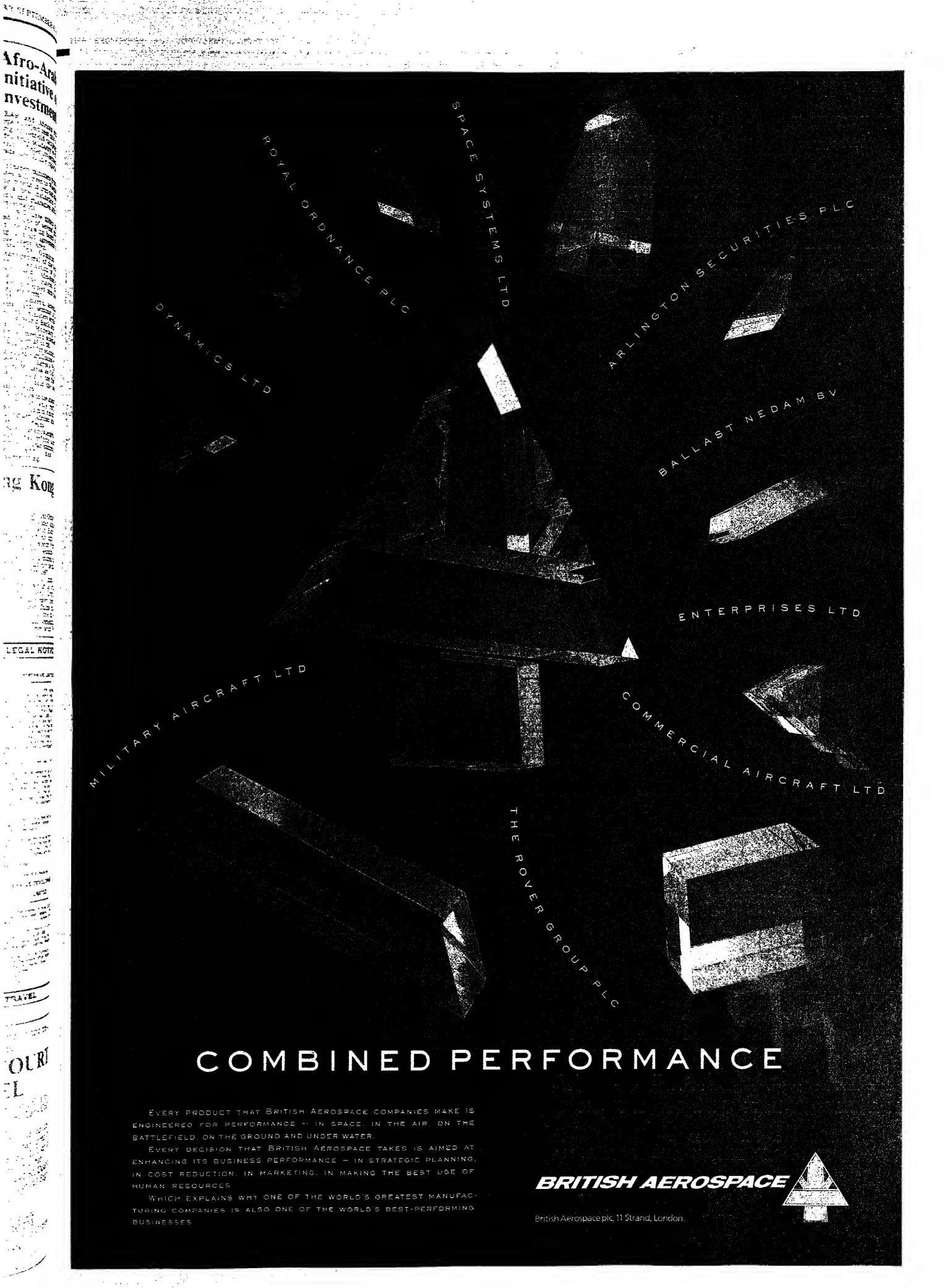
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Call or write for brochure ASTON COURT HOTEL 25/27 Matheson Road, Kensington Olympia London W14 8SN Tel: 01-602 9954, Fax 01-371 1338, Telex: 919208 ASTON-G.



# Group directors may face liability for £6m losses

SIR Edward du Cann, chairman of Lonrho and a former Conservative minister, is among the former directors of as small financial services group who could face personal liability for part of the group's

£6m losses.
This emerged yesterday when Mr Christopher Morris, appointed last week as provisional liquidator to Homes Assured, the defunct company, said that he was considering action sgainst the directors under the 1986 Insolvency Act. This makes directors person-ally liable if they are found by

a court to have continued trad-ing when thay knew, or ought to have known, that their company was insolvent.
In addition to this so-called "wrongful trading" provision, individuals may be banned from holding office as company

Mr Morris said vesterday: "I do not want to prejudge any-thing. But wrongful trading is something we are actively investigating.

Also facing the risk of per-sonal loss is Mr Douglas Perry-man, a former British Telecom finance director, who was a



Du Cann: risks part liability non-executive director of the

According to records at Companies House, the group's two other directors are Mr Eric Orbell, a former general man-ager of Commercial Union, and Mr Michael Rohinson. A fur-ther director, Mr John Sadiq, resigned at the end of last

The liquidators are also understood to be investigating whether Dominion Holdings, a Cayman Islands-based group which is listed as holding 29

per cent of Homes Assured's shares, acted as s "shadow director" of the group. If so, it also may be made partly liable. The company, set up to help council house tenants buy their homes, ran up losses of £6m in the 19 months to July The company said the directors were taken by surprise by the scale of the losses. These only became clear in recent

only became clear in recent weeks when two insurance companies – Legal & General and Criterion – attempted to claw back commissions they had paid to the company for endowment policies, he said.

Mr Morris, however, said the directors should have known about this possibility. "They about this possibility. "They were aware of their contractual relationship with the insurance companies," he said.

The Homes Assured directors became aware of the scale of the problem at the start of August, when they tried to put together a rescue package. Sir Edward resigned after

this, hnt hefore tha hoard decided to seek voluntary liqui-dation last week. However, under the Insolvency Act direc-tors cannot escape liability by

#### plans free homes with skilled jobs By Michael Smith, Labour Staff

**Panasonic** 

PANASONIC (UK), the consumer electronics com-pany, is planning to offer homes-with-johs packages to potential employees in one of the most imaginative responses yet to growing skill shortages.

The company, which is the British arm of Matsushita, the Japanese group, expects to spend about £1m haying prop-erty near its Bracknell offices, west of London, for the project. Its initiative has been prompted by vacancles amounting to almost 10 percent of its workforce.

Although mora companies are providing mortgage assis-tance it is rare for employers outside the brewing and agri-cultural sectors to provide homes as part of employment packages for permanent staff. Panasonic could find no others when it researched its scheme The company believes the potential employees will find the flats provided a more attractive perk than company cars. Mr Michael Kenton,

director, says that in spite of the initial investment the pro-gramme will be "a darn sight cheaper" for Panasonic than a car scheme.
Once the company bas

Once the company has acquired the property, which is likely to be in either Brack-nell or Sandhurst, it aims to advertise for staff in areas of high unemployment, such as the north-east of England. Workers employed will receive salaries similar to

those they could expect to find in the north but their accommodation will be provided free. Most will be expected to share the flats with one other

# BTA campaign aims to attract

BRITAIN'S tourist industry plans an all-out campaign to attract the new wave of Japanese tourists expected to travel overseas in the early

The move was announced yesterday by Mr Michael Med-licott, chief executive of the

BTA are travelling to Japan later this month to establish tourist links between Japan

could benefit from the Japanese Government's aim of encouraging some 10m Japanese to travel abroad by 1991. Mr Medlicott said that BTA forecasts suggested that by next year, the Japuese market could be worth over £375m to the UK in terms of foreign earnings, compared with

2200m last year.

The BTA's campaign to woo the Japanese will include efforts to change the 'masculine' image of Britain, said Mr Medlicott. "We will heighten in Japan to emphasisa the more 'feminine' faces of Britain," Other steps will inclinde organising seminars for the travel trade, and help-ing the tourist industry to "understand the special needs and sensitivities of the Japa-nese traveller."

#### TUC CONFERENCE

# Unions call throws Labour into turmoil

Labour Editor

LABOUR'S POLICY on trade union law was thrown into tur-moil last night after the TUC unanimously approved a con-troversial motion calling for union funds to be protected during industrial disputes. However the Congress seems

almost certain to back the party's revised defence policy in a debate tomorrow.

The motion on industrial relations law calls for trade unions to be protected from claims for damages from employars or sequestration during an industrial dispute. Labour's specialist industrial relations advisers will meet on Tuesday to discuss the policy review in the wake of the

Labour officials admitted that several key issues were yet to be resolved. These include the definition of a lawful trade dispute, how injunc-tions would be granted, what sanctions unions might face for unlawful action and when a union would be counted as having authorised industrial

The group which helped draw up the policy review report will address these questions during meetings in the next few weeks. Among the suggestions due to be discussed in that trade writes. cussed is that trade unions should have some form of lim-Ited liability and that a labour relations court should be established to consider applications



Willis: facing turmofl with opposition Labour Party

Mr Neil Kinnock, the Labour leader, played down the signifi-cance of tha vote, which he said was broadly compatible with Labour's policy. However the Government pounced on it as evidence that Labour and the union movement's conversion to pre-strike hallots was half hearted.

Mr Norman Fowler, the Employment Secretary said that without the right to claim damages neither employers nor employees would he able to enforce their rights to be pro-tected against unlawful indus-trial action. The motion would restore blanket immunity for unions.

they did, it would place unions above the law and no remedy would be available to anyone The key clause in the motion was moved by the 1.2m - strong TGWU, in the wake of this s' docks strike which

"That would mean a union could not be sued whatever

faced segnestration of its Mr Bill Morris, the TGWU's deputy general secretary, told the Congress: We cannot be

involved the union in weeks of legal argument during which it free to protect our members if we do not have a clear protec-tion from being sued, having injunctions slapped on us and being sequestrated." Mr Michael Meacher, the

opposition Labour Party's opposition Labour Party's employment spokesman, said after the debate that there was a danger that restoring full trade union immunities from actions for damages would make it seem that the unions were above the law. That could be misunderstood as going back to the pre-1979 position, which we are determined not to do." not to do."

not to do."

TGWU leaders played down the potential conflict with Labour policy. The policy review report, People at Work, is almost certain to be approved at this October's conference, with TGWU support.

The Trades Union Congres yesterday voted to urge all its affiliates to refuse to handle imported wasta as part of a wide-ranging commitment to the protection of the environ-

The "greening" of Britain's trade union movement was confirmed at the end of one of the most impassioned debates

n de

of the Congress so far. Mr Norman Willis, the TUC's general secretary, attempted to reconcile the potential conflict between rising public concern about the environment and the trade union movement's long-standing commitment to job creation and growth.

Philips joins

consortium

# Government defends privatisation plans

Mine to benefit from law

By Peter Norman, Economics Correspondent

GOVERNMENT yesterday defended its planned privatisations of Britain's water and electricity industries as good for the consumer and the environment and leading to a more efficient use of resources.

Speaking at a conference on privatisation at the Glasgow Business School, Mr Peter Lilley, the Financial Secretary to the Treasury, said that the Government's main concern through privatisation was to improve the supply side of the

He disputed the view that. the public sector utilities were natural monoplies and that they could not benefit from the disciplines of free enterprise. The Government

ucing competition into activities such as electricity generation. Where a monopoly could not be sensibly broken up, "the

FORMER British Coal

anthracite mine in South Wales may be the first to bene-

fit from the Government's

intention to increase the num-ber of miners that private com-panies can deploy below

Ryan International, the Car-diff-based private mining group, had planned to reopen

the Pentreclwydau drift mine in Neath, with 30 workers - the

maximum permitted under the

years. Ryan says it can make the pit pay by using a different method of mining from that chosen by British Coal. Mr Frank Jackson, group managing director, yesterday

1947 coal nationalisation Act. The mine, opened in 1967, was closed after only two profit motive is a powerful spur to satisfying customers and the efficient use of resources," he added. Mr Lilley pointed out that

privately owned utilities must also compete in capital mar-kets for funds to invest while the share price quotation "acts as a constant goad to improved results. Mr Lilley also chal-lenged the view that public ownership of utilities benefitted the consumer and the envi-

He said that where the government has the dual role of owner and regulator "the regu-latory function has tended to play second fiddle". The water authorities had "combined incompatibly the role of provider of water so age disposal with that of environmental watchdog policing those tempted to pollute rivers and seas," he said.

said that Ryan would now con-

sider employing more than 30 men there there because of the

Government's forthcoming

announcement raising the

said that the new 150 men limit

dant capacity to be operated by

the private sector.

Ryan, which employs 1,000

miners throughout Britain, has

also proposed reopening the Marine colliery in South Wales

closed a year ago. It contains reserves of high grade coking coal for the steel industry and,

according to mining union offi

ficulties in moving in supplie

and getting out the coal.

cials, was closed because of dif-

was still insufficient to enable much of British Coal's redun-

Nevertheless, Mr Jackson

limit to 150 men.

# BT to keep price rises within rate of inflation

By Hugo Dixon

BRITISH TELECOM (BT), the national telephone newtork, has agreed not to increase its prices for private telecoms circuits, which generate £800m in revenue each year, by more than the rate of inflation, as part of a deal with the Office of Telecommunications (Oftel). BT has also promised Oftel,

the telecoms watchdog, it will invest beavily in improving the quality of its private cir-cuits over the next four years and to pay customers rebates if it fails to meet new quality

At the same time as announ-Carsberg, Oftel's director gen-eral, defended his overall pol-icy against criticism he has unfairly penalised BT to help Mercury Communications, its

smaller rival. He also sought to defuse a controversy raging in the telecoms industry over the Gov-ernment's decision to promise Cable & Wireless, Mercury's parent, a new personal communications licences, designed to create a mass market in mobile communications.

The controversy has centred on rumours that Lord Young, who aunounced the licence when Secretary of State for Trade & Industry, is consider-ing joining C&W's board. But Sir Bryan made clear that the decision was based on his advice: "I initiated the discus-sions that C&W should be given a licence."

The price cap on private cir-cuits will run for four years, hut because BT has frozen prices since March last year, will be allowed to increase prices by 11.3 per cent the amount the retail price index rose in the 16 months to July.

# with GEC and Plessey By Hugo Dixon PHILIPS, the Dutch electronics

group, has joined a consortium led by the General Electric Company and Plessey, which is bidding for one of the UK's new personal communications

Personal communications are designed to create a mass market in mobile communications. Two or three licences are due to be granted by the end of the year, with the GEC/Plessey consortium considered one of the front-runners. The inclusion of Philips increases chances that personal communications will be adopted in

Phillips is taking a 5 per cent stake in the consortium. A further 5 per cent is being taken by Kingston Communications, which runs the telecoms network in Hull

There is, however, concern that other countries could boy-cott the system, leaving the UK with a incompatible system.

#### Swiss company to invest £5m

LANDIS AND GYR, the Swiss-based manufacturer of electricity meters, payphones and building control equipment, is investing f5m in a fac-tory at Telford for electronics-

based measuring equipment.

The company said yesterday it expects to open the plant, which will concentrate on making domestic electricity meters, at the end of next year. The workforce will be expanded to about 200 within six months. The group's facility in West London, which employs 200, will be kept on for the

# Few home comforts for those who rested assured Richard Waters on the costs of corporate failure

HANDFUL of financial institutions, up to 20,000 council house tenants and a former chairman of the Conservative party - Sir Edward du Cann - are all potential victims from a corporate collapse which emerged at the end of

last week.
All were involved with Homes Assured, a company which existed for less than two years hut which managed in the process to run np losses of around £6m. How it managed this will be the subject of much attention in the weeks ahead. Homes Assured was a prod-nct of the Thatcher era: a com-

pany set up to belp council tenants to huy their bouses or flats, which they bave been able to do since the "right to buy" legislation of 1980. The 20,000 people who were drawn by its advertising were

offered help with the paper-They were also sold an endowment mortgage, and home improvement loans once the sale had been completed. Homes Assured's income was meant to come from three

sources. Most was to come from the commissions from selling endowment policles. The company sold Legal & General policies until last summer, and then switched to Criterion Insurance. Neither side will explain

why the arrangement with Legal & General fell apart. The second source of income was to be commissions from selling home improvement loans. The company projected that it would take up to each council honse sale to go through. It was only after this

that it would he able to earn

the home improvement com-

The third source of income was from people who had bought their houses and did not take out a home improvement loan. These had to pay £350-£500 to Homes Assured, although the company claimed that this was less than it would have cost them to arrange the purchase by themselves.

The company began trading

in 1987 but business really picked up in early 1988. About four weeks ago, the directors realised the extent of their financial difficulties and tried to put together a refinancing deal. Last week the liqudiators

moved in. Homes Assured blames its demise on the councils from which its clients were trying to buy their houses, the insur-ance companies with which it did business - on almost everyone, in fact, but itself. But its short history reveals a

catalogue of mismanagement. First, the company was set up with hefty overheads. In the year and a half to the end of July its overheads ran to £7m. It had four major subsidiaries, each with their own accounting and other functions (it decided to centralise these in April this year). There were 11 branch offices and, at its peak, sales force of 400 people (although these people were

paid on commission). The bills were impressive for such a new company: £500,000 on computers, £300,000 for postage and packing, £200,000 on advertising, £150,000 of legal fees, accountancy fees of

£100,000, and so on.
The company's downfall, though, was its reliance (at least until sales were completed) on commissions from selling endowment policies. It claims to have sold 16,000 Legal & General policies and 4,000 Criterion ones. Legal & General refuses to comment on the matter, saying that the matter is in the hands of its lawyers, though Criterion con-

firms the figure.

The problem for Homes
Assured was that it was banking on only 20-25 per cent of clients cancelling their endow-ment policies. In these situations, the insurance company issuing the policy would claim back much or all of the com-

In the event, three quarters

of all policy holders cancelled - far more than had been expected, and leading a massive clawback of commission. Homes Assured claims to have been surprised by the level of these cancellations, which it says only became apparent in recent weeks, and hlames the insurance companies for not

keeping it more up to date.
In particular, it says that Legal & General just two weeks ago asked for the return of £750,000 - the first time it had attempted to claw money

back since last December. Mr Christopher Morris, the provisional liquidator, is forthright about this claim: the directors knew tha terms of their deal with the insurance companies, and so should not have been surprised when they were asked to return to com-

The situation only hecame apparent to the Homes Assured board at the start of August, Soon after, Sir Edward du Cann tendered his resigna-

One of the main creditors standing to lose from the fail-ure is Dominion Holdings, a Cayman Islands-based financial services group (and nothing to do with either Dominion International or Dominion Insurance) which had lent the company around £2m. Ironically, Dominion is one

of those which may be made liable for part of the company's debts, if it is established that it acted as a "shadow director". Among the losers – al-though many of them may not realise it – will be several thousand council tenants who wanted to buy their bouses. Around 15,000 appear to have cancelled endowment policies, and will have received little if anything back of the contribu-

tions they paid.

A further 3,000 are near to completion of the purchase of their properties. They have yet to find out whether these deals will go ahead, or whether they too will become victims of the Homes Assured collapse.

# Japanese to UK By David Churchill,

Leisure Industries Correspondent

the publication of the BTA's annual report. Senior officials from the

and the UK.
He pointed out that the UK

our 'Ladies Britain' promotion



#### UK NEWS

Views conflict on future prospects for the North Sea industry

# Oil companies predict slow decline

THE UK Offshore Operators. Association (Ukona) yestemiay published a bullish 25-year forecast for British oil and gas production could be as high as 1.4m burnels a day in 2002 comments. harrels a day in 2013, compared with more than 2m today.

The association, which groups together oil companies operating in the North Sea. implies only a gentle decline for the UK oil industry. Although estimated production would be unlikely to meet all of Britain's oil needs by the end of the period, it would supply the great bulk of it.

The study concludes Britain would be able to meet its gas

meets without recourse to imports well into the next cen-tury, and foresees gas produc-tion at 6bir to 8bn cubic feet (bcf) a day in 2018.

The study is based on a poll of Ukooa members and statistical projections of known exploration and development trends. It assumes a broadly favourable business climate and does not include some factors that could have a big impact on production, such as technical

# Unleaded petrol sales corner 24% of market

SALES of unleaded petrol went on rising last month and now account for almost a quarter of the UK market, the Govern-

ment said yesterday.

In the past year sales have risen from 0.8 per cent to 24

onsortin

per cent.

Mrs Virginia Bottomley,
Environment Minister, has
described the increase as "dramatic." She said a poster campaign would be launched this
month at all MoT testing stations to encourage even more motorists to switch to unleaded fuel. She also urged manufacturers to encourage dealers to convert used cars.

In a letter to car manufactur ers, Mrs Bottomley said the sale of new and used cars already adjusted to use unleaded petrol would help to overcome the obstacle of per-suading motorists to have their cars converted.

Total production potential from offshore fields Allipo berroli per la Sepontation results

5 now SSCII links per year

2.0 plantion ms 1 Ges condensate field / 3 year

2.0 plantion ms por year see 1 Ges condensate field / 3 year 1 Gen condecrete field / year after 2000

The most important variable affecting future production rates turns out to be the rate of new platform construction. The study takes as an average three or possibly five new offield developments a year, six new gas platforms a year, and

light hydrocarbon containing liquids and gas, every three years from 1993 to the end of the century, with one field per year after that.

one field of gas condensates, a

condensate discoveries come en stream.

The development of gas production would also be affected by uncertainties about the future of the gas market. Based on this level of activity, the offshore industry is expected to make £14hn fo where the Government is trying to encourage competition and on policy on gas imports.

# Pessimistic forecast in offshore service and supply industry

By James Burdon, Scottish Correspondent

A NOTE of pessimism was sounded yesterday in the UK offshore off service and supply industry by one its main spo-kesmen yesterday.

Mr Ian Wood, chairman of the Wood Group, the Aber-deen-based offshore services group, told the Offshore Europe Exhibition and Confer-ence in Aberdeen, the industry "was not looking forward to the future with unbridled con-fidents"

the inture with unortoled confidence.

His view contrasts with the upheat mood about prospects for North Sea oil and gas, buoyed by the current unturn in development activity and optimistic long-term forecasts.

Mr Wood said all companies were some sting the approximated and companies. were squeezing the supply and service companies too hard and criticised the poor performance of the UK supply industry in overseas markets.

He said that oil companies had a "schizoid" approach to the supply industry, parts of

and the state of t

which were still "fighting for survival" after the collapse of the market when the oil price collapsed in 1986. The result was often an unbalanced performance by

the contractor. As a consequence, he warned, the supply industry would be unable to play its role in achieving technological

breakthroughs.
The small technology companies which provided the seed corn for future growth and development would struggle badly and were already showtng a poor survival rate. Mr Wood called for suppliers and oil operators to work together more as partners than adver-

He called for longer term ser-vice contracts with a better risk sharing. Mr Wood said the UK supply and service indus-try's share of the international market was "woefully short of what it should be," bearing in mind that the UK continental shelf has been the main prov-ing ground for the world offshore industry for the past 20

£25bn in cumulative capital

expenditures by the end of the century, and £3.75n to £7.85n

in spending for expenses.
Oil output from fields currently in production is expected to fall by half by the mid 1990s, while gas production from current fields should be halved by the year 2000.

Most of this decline will be compared for by 150 under

compensated for by 160 undev-

eloped discoveries that contain 6.4bn barrels of oil and 33.4 tril-

fion (million million) cubic feet (tcf) of gas. By the next cen-

tury gas condensate fields,

tury gas condensate neigs, which are currently undeveloped, will come to play a bigger role in supplying Britain's gas needs. Excluding gas from condensate fields, gas production could increase to 5bcf a day by early next century, but could rise to 8bcf should gas condensate discoveries come

This included the performance of the many foreign-owned companies which operated from the UK. "Government ministers

make ever more ambitious prononncements on the major contribution the industry is making worldwide, but no fig-ures are available," he said. He said the UK's share was more like 5 per cent than 10 per cent of the world market. He called for a government study of overseas opportunities and the UK industry's role in

Mr Peter Morrison, the energy minister, said he was considering such a study. He had recently established an oil industry export advisory group which involved major companies.

# United to spend £3.5m on factory in Ulster

By our Belfast Correspondent

UNITED Technologies, the American manufacturer of car wiring harnesses, is creating 250 jobs at its Londonderry factory in a £3.5m project backed by Ulster's Industrial Development Board, it was announced yesterday.

An extra 190 workers have already been recruited and the other 60 jobs will be added within the next three years, bringing total employment to

more than 600.

Mr Richard Needham,
Ulster's Economy Minister, said the expansion resulted from increased sales. The com-pany's customers include the higgest European car makers. United Technologies is the

16th largest company in the United States with total sales of \$18bn and 200,000 employess worldwide.

Britain is desperately short of computer specialists with experience of, and the ability to teach, one of the more

to teach, one of the more important new information technologies.

As a consequence, international Computers (ICL), has decided to establish its first training development centre specialising in the technology—Unix software—in the Republic of Ireland where it can take advantage of the can take advantage of the country's abundance of highly qualified young people.

#### Result expected on Harland bid

THE OUTCOME of the management-employee buy out of Harland and Wolff, the Belfast shipbuilder, will be announced on Friday, Our Bel-fast Correspondent writes. It had been thought that the

company would be able to dis-close the level of share appli-cations today but the deadline for receipt of completed forms was extended to facilitate late applications.

Around 80 per cent of the workforce is understood to have applied for shares to date but many workers took advan-tage of the extended deadline to seek further advice about investing in the buy out.

#### **EUROPEAN CONFERENCE** ON DEBT AND CONSERVATION ZURICH, 2./3. NOVEMBER 1989

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The conference is organized by:

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Creating value

hen Heather Douglas, a stu-dent at Radcliffe College in the US, decided to spend her spring holiday with a doctor she got more than she bargained for. After five days of studying s doctor's life - hy watching Dr Vanaja Ragavan at work, and spending the nights at he house - she decided to cancel her plans to attend medical

It is difficult for any student to imagine what life will be like when he or she starts a more difficult for young women in the 18-21 age group to find a role model who can show her how she pursues a career and leads a fulfilled

Opportunities for sampling the world of work are rela-tively high for American students; many are employed part-time, and work experience - so-called "internships" where the students are attached to an organisation during the working day - is widespread. But a few years ago, Radcliffe, the female part of Harvard, introduced a programme to give its students a taste of what life is like as a working woman around the

"It's all about successful women helping those that are just coming along," says Grace Huffakere, a Radcliffe graduate who helped found the "extern-ship" programme in 1977. The so-called "extern" students live with their "sponsors" as well as shadowing them at work.

"There is a strong commit-ment by our alumnae to share their experieuce," says Radcliffe's dean of students, Philippa Bovet. Her assistant, Stephanie Beukema, says: "We focus on balancing professional and personal life, and on the juggliug required when a woman works full-time outside as well as inside the home." With the help of a student, Beukema devotes half her time

to running the scheme. This spring, 63 Radcliffe externs, took part in the scheme for a week in April. Placements on offer included tima with women lawyers, doctors and teachers, but also with a dance therapist, a self-employed weaver and an organic farmer. There was a "creative home-maker" and a PhD candidate, too, though

neither found any takers.
"What the students want constantly changes," says Beu-kema. "During the 1980s they have increasingly been asking for glitzy Wall Street banking and law jobs." It can be diffiCareer decisions

# A study of working life

Andrew Jack explains the value of a scheme which allows female American students to spend a week shadowing a role model



cult matching the sponsors' and externs' aspirations and personalities. "Applicants may look as though they've been aiming at investment banking since age four," she says, "but often they really have no idea

what they want to do." Some sponsors want externs who are seriously interested in that particular career. But others are much more flexible. Lucy Conant, a farmer in western Massachusetts, says: "They come to spend a week doing somathing different: being outdoors, making maple syrup, doing physical work."

Eight years ago fewer women opted for fast-track careers. Andrea Kiersted was sponsored by a retired uursing instructor who ran a sheep farm, and theu a year later with a woman who ran a day-

. She later became a sponsor herself, offering a place for a student to work with her in a soup kitcheu in Baltimore. "My sponsors introduced me to new things which I thought would be fun to try," she says. "They were a release from the school's pressures."

Sharon Beckman, who graduated in 1980, points to more focused gains. Her week with a lawyer rekindled her childhood-interest in the profession. "I had been put off the idea at Harvard, where everyone was interested in corporate law and not the people side. My sponsor got me excited again." She now working with a criminal defence and civil litigation firm

"But the most valuable les-son I learned was that you can be a wife, a mother and a professional," adds Beckman. "I was struck hy the fact that my spousor didn't have to miss out. She showed me that you can't expect everything to go smoothly, hnt you can work and have a family.

The lessons are the same for more receut externs. "The home-stay gave me a rounded-out view of the whole lifestyle," says Heather Douglas. The fact that she is now having second thoughts about being a doctor proves the success of the externship programme. "Twe decided I don't want to spend nine years train-

ing for this career."
Jill Shapiro, another student who stayed with a doctor says: "I had done some secretarial work in a hospital before. But I was interested in observing what a doctor actually does all day. My sponsor was very good about including me in everything she did."

Mary Psychas, who shadowed a senior executive in the American Youth Hostels Association, says: "I learned a lot. It made me more aware of the kinds of things women are doing, the jobs you can get without having to go to gradu-ate school, and things like the importance of the town or city

where you want to work." Baukema says that the women are very young and tend to think in absoluta terms. "They think, "if it turns out wrong my lifa is over." When sponsors show them that

they don't have to make all

their big decisions now it can

be very reassuring."
Aida Press, Radcliffe's director of public information, has sponsored several externs in the past. They do whatever we do," she says. Although most studants passively shadow their sponsors, Press likes to get hers to write and do research. She is also one of the few sponsors who does not offer accommodation. "I need a little life for myself."

Beukema admits that recent-ly-married husbands do sometimes object to the live-in arrangement. "But most of the women are thrilled at the prospect of having this intelligent, vital life in their house. They find it very exciting to spend time with someoue with so much passion and energy."

"I just love it," says Freder-ica Brenneman, who was Connecticut's second female Superior Court judge. "I don't think the kids can possibly enjoy it as much as I do. I adore that age group, and I keep in touch with my externs afterwards." Brenneman stresses the importance of the students living with her for the week.
"That way you can build up a
fairly accurate picture of what

a person does all day, and how you can juggle all those things at the same time. Wa talk a lot ahout hushands, hahles and cooking as well as work."

"That's the best thing," says Portia Weiskel, the organic farmer. "Being with us round the clock shows them the tunny noncepes of life We

funny nonsenses of lifa. We send them back with one way of putting their knowledge into

Paediatriciau Roselyn Kolodny feels that there "still aren't really a lot of good female role models in medi-cine. The extern programme gives me the chance to get across my point that you can raise a family and work, and be reasonably successful at both. And a lot of that happens

round the kitcheu table."
On the downside, says Margaret Nelson, a law partner, "being with anyone 24 hours a day can be a little on the tire-some side." Another sponsor wrote on her evaluation form that she felt she was being treated "rather like the mother

of a teenager. The externs' education was not just limited to the overall picture. Several sponsors made comments about students punctuality, or inappropriate dress for work. Nevertheless many of them volunteer year

There has been some discussion about allowing men from Harvard to join tha scheme Some sponsors are strongly opposed. Rosemary Kolodny is s worried, but says: "It isn't so important for them. Men still have so many more oppor-

"I don't mind, personally," says Beukema. "I think men wouldn't be as socially comfortable participating, and they would be less willing to open up. But getting them in the home would certainly be an 'eye-opener for them."

"Women are still more responsible for the home, though," says Brenneman. "I think they are more concerned about professional incursions on private life."

"We have years of building relationships with alumni," says Martha Leape, head of Harvard's Office of Career Services. "They are very loyal, and have active graduate associations."

An attorney, Sharon Tisher, became a sponsor this year. "I have been out of touch, but now I've been inspired to make a substantial contribution to the alumnae fund for the first

Andrew Jack was the Choate Memorial Fellow at Harvard

Executive time

# The managers with a magnificent obsession

Michael Skapinker demonstrates that a company's direction is determined by its chief executive's subconscious priorities.

usiness schools. Anthors of management best sellers. Speakers at management conferences. Journalists writing on this page. Wa all have one thing in common: we think we know what it is that managers do and how they could do it better. Yet researchers like Henry

Mintzberg, professor of man-agement at McGill University in Montreal, have demonstrated that managers themselves do not know what it is that they do. Ask them, Mintzberg says, and they will tell you that they plan, organise, co-ordinate and control.

Observe them, as he did for a week at a time, and you see something entirely different. Managers rush from one activity to another. Half of their activities last for less than nine

Alain Noel of the Ecole des Hautes Etudes Commerciales in Montreal has carried out another study in the Mintzberg tradition. He, howaver, observed three chief executives for a month each, sitting less than 10 feet away from them throughout their working day. He claims that this is the longest continuous observation of top managers at work.

To start with, he, too, found that the daily activities of the senior executives were chaotic and disorganised. The longer he watched them, however, the more he was able to detect con-tinuity in their various actions. Eventually, he was able to

describe the activities which dominated their days. Nost argues that these activities not only set the strategic agenda for the organisation but reflected the chief executives personal obsessions: At the end of his month with.

each of the three, Noël asked the question again: "What do chief executives really do at work? To say that they write, speak, phone or meet to play managerial roles remains unsa-tisfactory. Chief executives do not spend their time arbitrarily out concentrate on activities they feel are crucial to the survival or growth of the firm."

Having someone watching

your every move for a month is not to the taste of all chief executives. Twenty turned him down. Three agreed to be observed, however, and Noël has described the results in the Strategic Management Journal

Strategic Management Journal.
The first of Noël's subjects
was Paul, the head of a nonprofit institution set up to help handicapped people live a uor-mal life. Paul himself had lost his eyesight at the age of 23. The second executive was Louis, the head of a medium-sized advertising agency. He was one of many French-speak-ing advertising entrepreneurs who prospered in Quebec in

Name-dropping

The third chief executive who let Noël watch him work was Marcel who owned a manufacturing company 96 min-

nies away from Montreal.
One thing Noel noticed about Paul over the month he spent with him was how offen he mentioned important peo-ple's names. The list included the Prime Ministers of Quebecand Canada and other influential people in business and poli-tics," Noel says. "These names were dropped as if Paul knew the people personally, but he never contacted any of them."

He did, however, spend a talking to less important politicians and lobbyists. He spent far more time building and maintaining contacts than looking at the quality of work his employees carried out. At home, between 4 am and 7 am, Paul worked on his organisa-tion's budgets and instruction

manuals.

Louis spent much of his time with his creative staff at the advartising agency, paying close attention to the detail of their work. He was particularly keen on cutting costs.

Unlike other advertising agencies, his had no expensive carpets or furniture and his employees did not have individual offices. His work dominated his life. He had recently got divorced and seldom took-

Marcel devoted his time to a Marcel devoted his time to a wider range of activities than the other two. His attention ranged from new project development to operations to sales, to personnel management. Much of his time was devoted to customers. He insisted on personally reviewing price quotations given to them.

Noël concluded that by devoting more of less time to

devoting more of less time to particular issues, fire chief executives demonstrated to their subordinates which aspects of the company's work they should regard as impor-

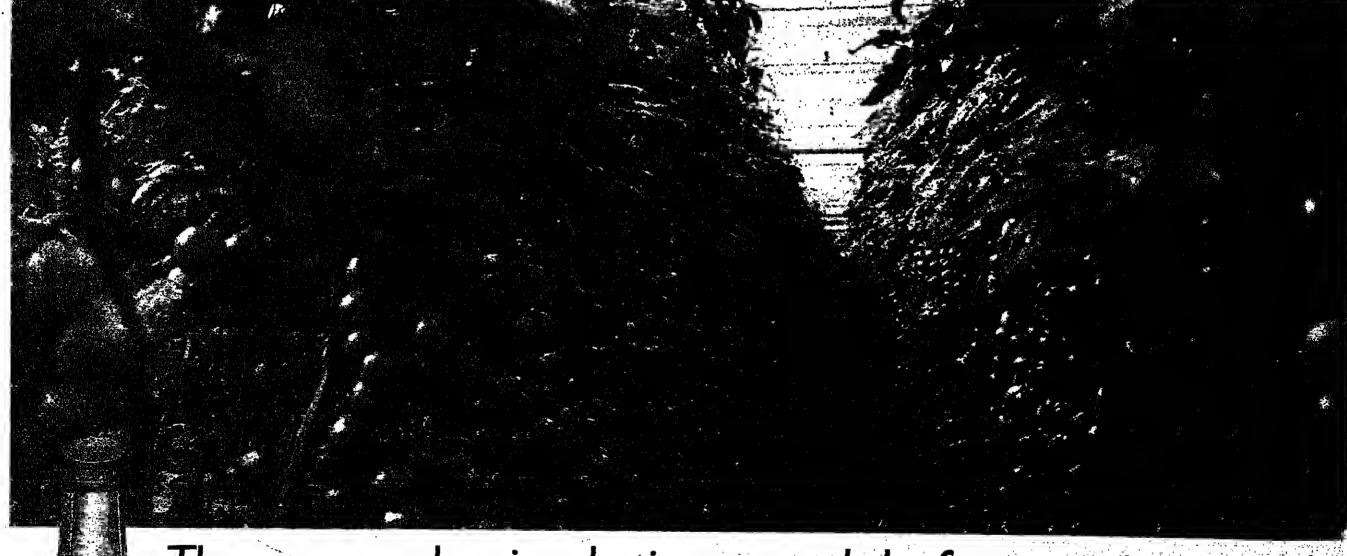
Paul indicated that paining political support was more important than serving the organisation's customers. Louis made it clear that keeping costs down should take priority over looking for new clients. Marcel's actions indicated that rustomer service should that customer service should be his company's maker priority. That was why he licked at all the price quotations himthe price quotations him-

eif. It is always worth examining executives, surprisingly, insist on carrying out themselves, Noël says. Writing manuals, Noel says. Writing manuals, checking price quotations or designing a television commercial could probably be done by someone more junior. By doing them himself, the chief executive reveals something about the organisation's priorities.

Noel adds that analysing the activities of chief executives over a month revealed more than continuity; they

seemed almost obsessive."
Pani was obsessed with the need to be autonomous and to survive. Hence his attempts to cultivate important political contacts, and also his insistence on writing the organisation's procedure manuals him-self. Louis appeared obsessed by the need to make money. By constantly cutting costs he ensured that he did so. But his organisation failed to grow. Marcel was obsessed with quality. Unsurprisingly, his organisation was the most successful of the three.

Strategic Management Jour-nal Summer 1999



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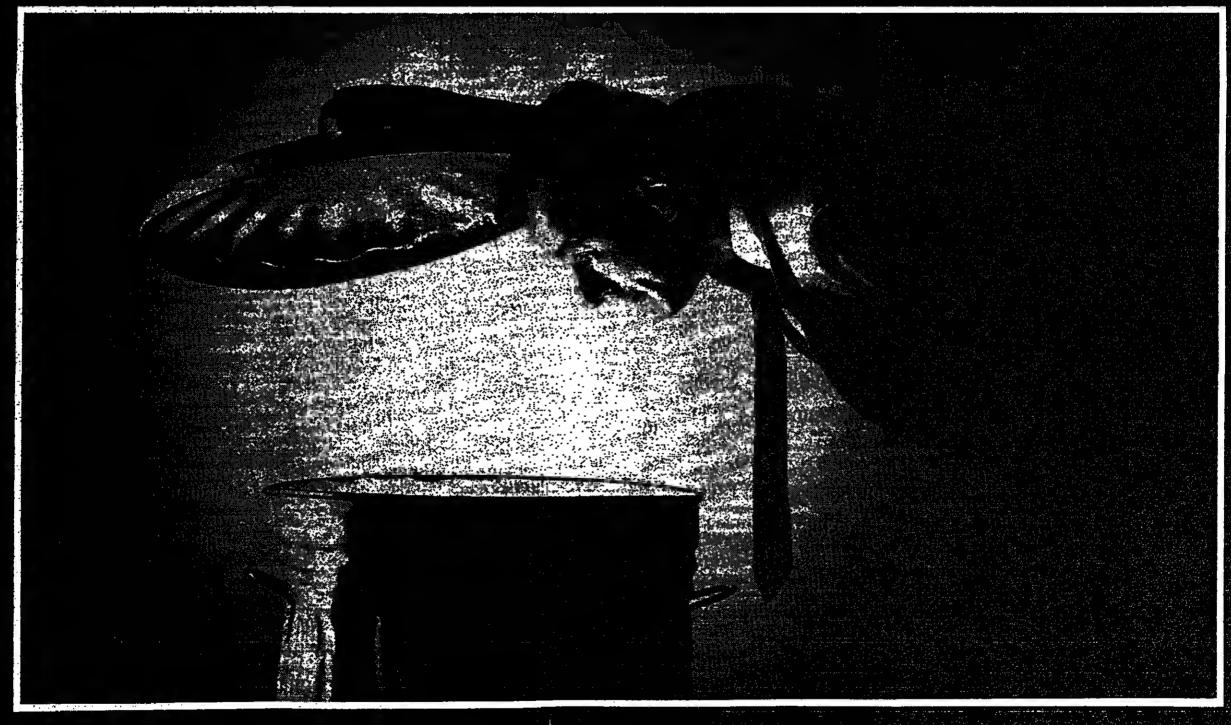
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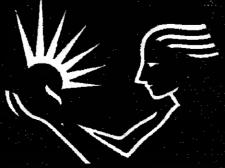
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#### TECHNOLOGY

# Element of surprise in high-tech curriculum

David Thomas finds no haven for tradition in the first of the UK's City Technology Colleges

ogy-oriented schools - is likely to be in for a surprise.

CTCs are already among the most controversial of the UK Government's educational ini-tiatives, even though only three are so far in existence Kingshurst, in Solhuil, launched last year, and Middlesbrough and Nottingham, opening this month.

The schools draw on business monyorchip for most of

ness sponsorship for part of their capital costs, but they rely on central government for rely on central government for the bulk of their lavishly equipped classrooms and for their day-to-day expenses. This has prompted the Labour Pariy and the teaching unions to attack them for syphoning off resources from the rest of the

Yet perhaps the most threst-ening aspect of CTCs for the traditional educational establishment is their zest for experimentation. Outside local authority control and exempt from the national curriculum, they are free to construct their own timetable. Although all will be committed to giving technology a central role in the

classroom, each CTC will yield additional surprises.
Consider the two CTCs opening this month. The Nottingham CTC is introducing a novel pattern of industrial relations and term structure: all its

nyone wandering into a City Technology College—one of the new wave of technology introducing a strong vocational interest of the UK on Spanish. All its beachers to though only its a party because it these and a dozen ofher property one of fire in existence—principal, but also because it is a personal interest of the party in so far in existence—principal, but also because it is doing some work on metastrology of the introducing a strong vocational puter game set in the future. Several things stand out as one of the UK on Spanish. All its beachers knots of children working on will learn it, partly because it these and a dozen ofher property of the principal, but also because it is jects. One is the children's reso far in existence—principal, but also because it is doing some work on metastrology.

one of the world's most widely spoken languages.
Until the advent of these two, the only working model of a CTC was to be found on a bleak part of the Solibnil Birmingham border. Many people have assumed that CTCs, as one of the Conservative Government's most favoured education projects, will try to speachead a return to fraditional methods. A visit to the Kingsburgi CTC soon disnels Kingshurst CTC soon dispels

this misconception.

I dropped in on Kingshurst towards the end of one of its regular two-week breaks from the normal timetable. Once a term the whole school aban-dons its routines to work on projects around a single theme:

on this occasion, time.

Matthew and his friends have assembled the electronics for a clock of the future — a decimal clock with 100 seconds in a minute, 100 minutes in an analysis. hour and 10 hours in a day. Vicky and her pals have com-posed, dubbed and recorded pieces of music with references to time woven into them. Julie, whose hobby is keeping birds,

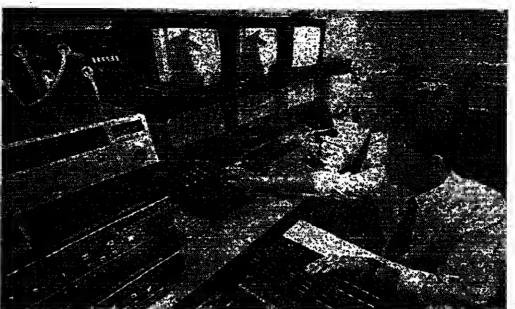
jects. One is the children's remarkable self-confidence in describing their projects, considering that, as the first intake, they are aged only 11 or 12. The second is that they are working largely unsupervised, even on the school's array of

expensive computers.

Valence Bragg, Kingshurst's bustling and dynamic principal, draws a link between the two: "I believe that if you trust them and give them their freedom, they will return that

But perhaps the most inter-esting facet of these projects is the way in which technology is integrated into their heart, rather than being seen as a bolt-on extra.

For the two weeks, the school's pupils are first divided into groups of about 36, with three teachers allocated to each group. Typically, the three will have different specialisms, one being a scientist, another a linguist and the third a historian. They then advise the children, in smaller groups, on different facets of their work. Clint's project on the evolution of cars, for instance, could involve reading



Pupile get their hands on video editing equipment at the Kingshurst CTC

up the history of the car, as well as making models in the school's workshop.

school's workshop.

The teachers continually assess the children, rating their performance as "basic, intermediate or advanced" in several aspects of their work, such as ability to use equipment, presentational flair and analytical skills. At the end of the project, the assessments the project, the assessments are recorded on the school computer and are open to inspection by the parents, who also visit an end-of-project

exhibition.

Building technology into the heart of teaching is an attitude mirrored in the school's wider curriculum. "Technology is a tool. It is something we use to improve the quality of all our lessons," says Bragg, stressing that she does not see it as a discrete subject segregated from others in the timetable.

First year pupils are given a grounding in what the school calls core skills, such as word

processing and working with lathes. After the first year, however, the timetable looks much as in most secondary schools, the difference being that pupils are expected to use their core technological skills in every subject.

Another difference is that the children will have much more contact with employers. drawing partly on the school's links with the dozens of sponsors who have added their names to the two principal backers, Hanson and Lucas

Bragg envisages that many of the older children will have extended periods of work experience. She hopes 80 to 90 per cent will stay into the sixth form, even though the school's catchment area is relatively poor, but foresees many of them doing vocational courses such as those which fall under the wing of the Business and

Technician Educational Council (BTec).

CTCs to surprise.

curiosities since only 20 are planned in total.

For pupils who want a more academic ronte, the CTC is casting around for an alternacasing around for an atterna-tive to A levels, such as the international baccalauréat based on the French system. "I donbt very much if we will have any A levels. It's an out-dated exam and it's time something else took over from it," says Bragg, demonstrating once more the capacity of

In view of the lavish resources and extensive links with companies that the first CTCs will enjoy, it will be surprising if they are not quickly regarded as beacons of local excellence. The stiffer test is whether they begin to affect the climater of the stiffer test is whether they begin to affect the climater of the stiffer test. the climate of opinion in the majority of schools. Otherwise, they could eventually be regarded as little more than

says that this work has not only improved wind-tunnel sured, internal, pressure distri-bution gave them the information they needed to measuring techniques bnt also saves time.

A wind-tunnel is a comparadesign the tunnel. The team then proved that any correct wall contour could tively simple structure: an enclosed passage through which a controlled air flow is be created in two or three stages. There was no need to know anything about the flow surrounding a model. Only flow conditions in the immedi-ate vicinity of the wall had to forced at various speeds so that static scale models or their parts can be subjected to

Wind of change

in a tunnel with

thinking walls

**By Andrew Wiseman** 

three-dimensional studies of

spacecraft and aeroplane mod-

els - has been successfully tested by engineers of the Technische Universitet in West

Sponsored hy the German

Research Association (Deut-

sche Forschungsgemeinschaft

- DFG), a national body that
co-ordinates scientific
research, Professor Uwe Ganzer, of the university's Insti-

tute for Air and Space Travel.

walls

Berlin.

given flow.

n "intelligent" wind-tunnel with flexible

aerodynamic tests.
In a standard wind-tunnel, the distance over which such tests are carried out is fixed and the walls around the model help to control and restrict the air stream.

To a considerable extent, the be taken into consideration. To achieve a self-adaptable measuring distance, the researchers designed a wind-tunnel with eight walls, instead of the customary four.

Each of these flexible walls can accuracy of tests is conditioned be altered two-dimensionally, providing a good approxima-tion of a three-dimensional by the distance of these four walls from the model. If they are too close or too far from it, flow area contour, they bend the air stream. Any such undesirable deviations Every wall is beld up and shaped by 10 joints, linked to electric motors. A series of

are increased or reduced by the contour of the walls: the faster the air flow, the greater the likelihood of such "wall-interpotentiometers constantly monitors the contour of the walls and steel slats seal the Clearly, it is essential to pre-vent any unwanted turbulence gaps between them. or air-flow contortions from impinging ou the accuracy of the tests. Although modern

The system's "intelligence" is controlled by a network of microprocessors. They interrogate the pressure distribution wind-tunnels, with their split or perforated walls, provide an escape route for the air flow, they still do not create totally within the tunnel and the con-tours of the walls, adjusting them as necessary. It is fast, reliable and accurate, and the precise wall contours which bardware is comparatively could cope constantly with any

The new wind-tunnel has already proved itself to be capable of dealing with all air-To achieve this the Berlin engineers have developed a system of "intelligent" walls, which automatically adjust flow speeds. Ganzer is con-vinced that "it will ensure a themselves to the air flow at marked increase in the reliability of wind-tunnel calculations any point of its journey. The and reduce the number of measurements needed."

# Towards a propulsion system that enables a ship to 'swim like a fish'

certain amount of envy has mechanical finned tail needs to be always been evident in the constructed of a similarly large expression to "swim like a aspect with a mechanical system that impiration for an improvement imitates the animal's movements. performance of ship's propel. The tail is flexible and the behaviour or screws, has come from the of its various parts is phased.

The theoretical side of the use of a mechanical side of the use of expression to "swim like a fish." Inspiration for an improvement in the performance of ship's propel-lers, or screws, has come from the mode of propulsion used by large fish, such as sharks, and the cotacom mammals — wholes and dolphins. Not all fish have the same mode of

propulsion. The way the cetaceaus and sharks swim is described as car-angiform, meaning that the lateral body movement is greatest at the tall. in addition their tails have a large aspect, which is the ratio of the tail's

pan to its chord. To imitate this, a

11:5

The theoretical side of the use of a flexible foil as a propeller was investigated as far back as 1938. Interest their lapsed, but papers on the subject started to appear again in the 1980s. It was probably not until 1975 that real progress was made and it has become rapid in the last 10 years, particularly through work at Glasgow University, Memorial University of Newfoundland and the Chalmer

University of Gothenburg.

Most recently Einar Jakobsen, a Norwegian researcher, has taken out a patent to cover certain aspects of

a patent to cover certain aspects of the foil propeller in connection with a rigid horizontal foil wave motor — a closely allied subject.

The development of a propulsion system involving a flexible foil has been assisted by progress in reinforced plastics which, according to Professors R. C. and P. S. K. Lai of Glasgow University, combine high Glasgow University, combine high tensile and bending strength with great flexibility and good resistance to fatigue. They have been studying which combination of size relation-

ships, materials and modes of motion results in the highest speed and effi-ciency; and how such propellers can be made and sold.

The ships likely to benefit would be below 1,000 tonnes, where the con-ventional screw propeller gives an efficiency in the region of 60 to 65 per cent. A flexible fin propeller with an aspect of 4, far less than nature has given to sharks and whales, could achieve an efficiency of 70 per cent. Calculations reveal that with an

aspect of 10 the propeller should have an efficiency of 85 per cent. An improvement from, say, 62 per cent to 85 per cent would significantly

reduce the fuel bill, according to the Offshore Besearch Focus published by the Department of Energy. Best results are obtained when the

fin's heave and pitch are 90 degrees out of step: when one is at its peak the other is zero and vice versa. For a ship of, say, 66 m length such a propeller is a practical possibility. The smaller the amplitude of move-

ment, the more effective the propulsion system, which is all the more advantageous since it is reasonable to assume that a small ship's propeller would not be deeply submerged.

Michael Swiss system ensures that all walls are precisely controlled for

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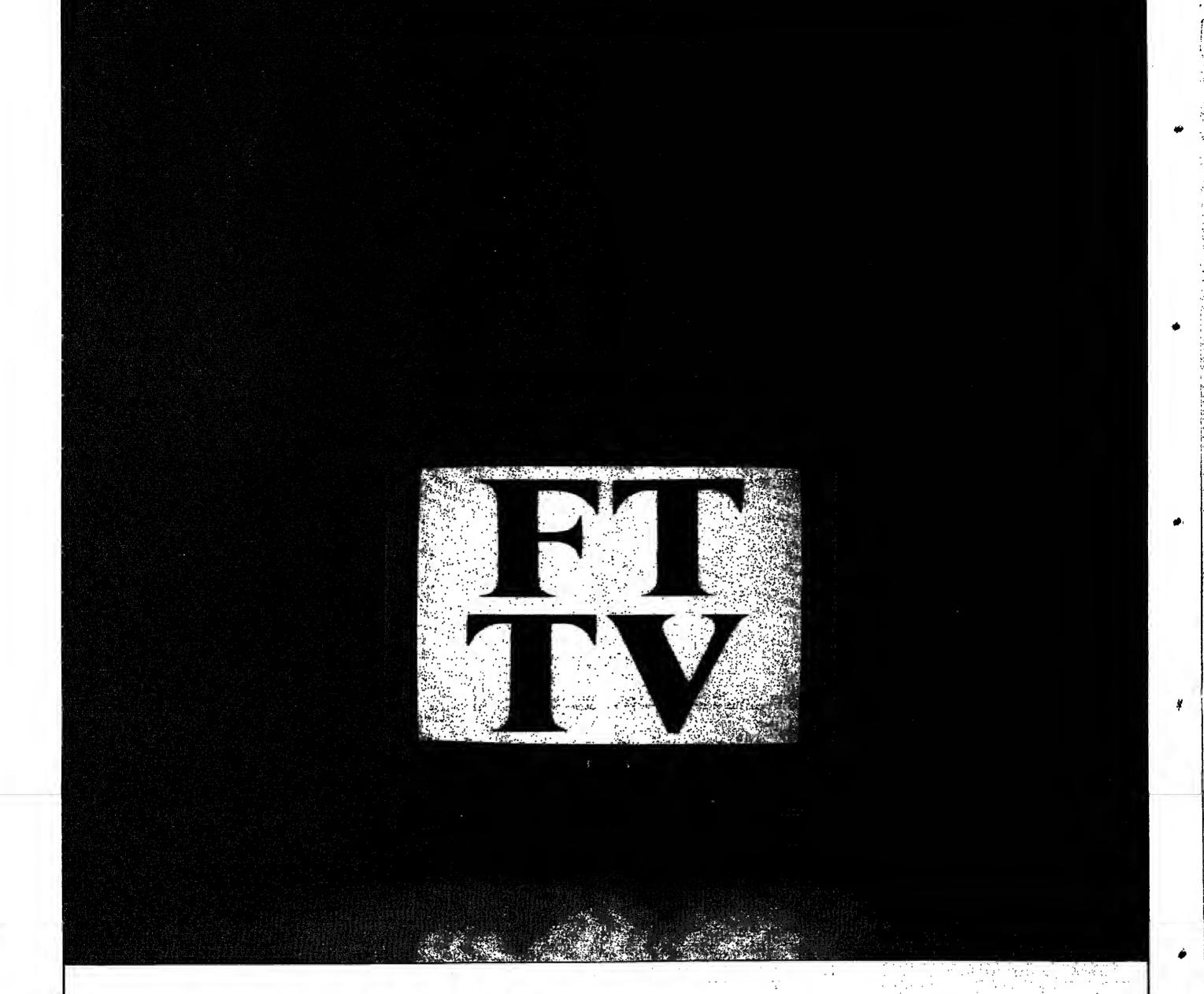
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#### **TELEVISION**

# Pi briefs Om on World War Two

tion of war. There was a good of the country and of the excellent use of Pathé footage of Commons. So, when and some tip-top acting: Peter Vaughan as Goering, Barrie of the planet Ulanova. The ef Monier, whose name is a laring mand Pi, who is response to mand Pi, who is response for analysing all British and brillsanty convincing as accident, a misunderstanding that the had mis-read the mood of the country and of the connerty and of the conne Central Broadcast Monitoring Unit deep below the surface of the planet Ulanova. The Chief Monitor, whose name is Om, is confering with a subordinate, named Pi, who is responsible for analysing all British television output from the planet Earth. The Chief Monitor is anxious to hear what Pimakes of the stupendous makes of the stupendous increase in the number of war programmes monitored in the past seven days. The reason that Ulanova has received these broadcasts so swiftly is that it has learnt to utilise post-Einsteinian phenomena which enable it to scoop in television signals from nearthy calories at section from nearby galaxies at speeds vasily in excess of the speed of light. Otherwise it wouldn't get

"So," said the Chief Monitor, "Britain's television screens are suddenly awasb in programmes commemorating the outbreak of World War Two 50 years ago? Plays. Documenta-ries. Docudramas. Archive footage, Films. Blockbuster specials. Musical spectaculars. They're overdoing it, aren't they? Do they intend to keep it up? Are they planning to keep it up? Are they planning to rerun every second of WW2. or just the best bits – Dunkirk and so forth? This could go on for

years."
"I have no information on that," PI replied. "But WW2 was very much the Brits' show. They were fighting an honourable war and they were fighting it on their own. fighting it on their own. They were the goodies. And the locations were marvellous, as were the uniforms. It a a natural for

"Are the programmes any good? Is anybody watching?"
"I haven't received the ratings," Pi told the Chief Monitor, "but they are making a good fist of it. We've seen some excellent television. Take last Thursday, when ITV kicked off with Countdown To War, described by the network as a dramatic interpretation of the events leading to the declara-

hood, brilliantly convincing as Adolf Hitler. A rather tall Adolf Hitler, it has to be said. But here, you felt, was the monster himself: mesmeric, sinister, subtle, intelligent, sweeping everyone up in the folds of his madness."

"I am sure it sold a lot of petfood," said the Chief Moni-tor testily. "But did it give us any idea as to how the whole

mess started?"
"Well, it sort of did," said Pi.
"Things were all very confused, of course. Hitler was throwing his weight around and didn't seem to believe that the British would go to war if he took a swipe at Poland. Chamberlain didn't want war,

declare war on hitter, who seemed exceedingly surprised. There wasn't any logic to it quite possibly it was all an accident, a misunderstanding — but that's how wars start down there on Earth."

"How about the RBC?" the Chief Monitor school Chief Monitor asked.

Chief Monitor asked.

"Oh, they have done famously," his subordinate told him. "To get things rolling, someone had the bright idea for News 39 in which Sue Lawley read the news just as it was happening 50 years ago: London readying for the blackout, the assenit on Poland, Chamberlain declaring war, Plenty berlain declaring war. Plenty of splendid footage. An unqual-

ified success.
"But the BBC peced things nicely — saved its ammunition for an all-out strack on Sunday, the day war broke out,



when BBC I ran six hours of WW2, starting with that black-and-white classic of the cinema, The Dam Busters, in mid-afternoon. I don't care how many times I set it, I still grow mushy when the chaps of 617 Squadron skip their little bomb squadron skip their little bomb
- such a primitive toy, really
- along the surface of the
water and accomplish their
mission. We had Songs of
Praise from Plymouth Hoe, a
play about Bomber Harris,
News

play about Bomber Harris, News 39. Everyman and a repeat of The Miller Mood, a tribute to the great Glenn.
"ITV tried to keep np with them, of course. They had a chirpy documentary on the RAF's No 1 Fighter Squadron which they acceeded immediately after the umpteenth reshowing of the film Battle of Brisalis. And I thought that Harry Secombe gave us a par-Harry Secombe gave us a par-ticularly moving rendition of T Vow To Thee My Country' to mark the start of a new series of Highway, in the god-slot. What a remarkable song that is! Of course, being the god-slot there wasn't much of a discusston about God's role in WW2, or why He let it happen, or unleashed such barbarity, or created a monster like Hitler in the first place. Still, the god-slot isn't really meant to be about God. I mean, it ignores particle physics. But then we don't hear much from the creationists, either. It's all tremendoubly selective and unvary-

doubly selective and unvaryingly cosy.

"Unfortunately, ITV couldn't resist going completely over the top with War And Remembrance, one of those appalling blockbuster megabuck speciaculars so beloved by the dimmer type of advertiser in which — I special — "Scarting in the days" type of advertiser in which - I quote - 'Starting in the days (ollowing the attack on Pearl Harbour, Captain Victor "Pug" Henry (Robert Mitchum) takes command of a cruiser, while at home his wife Rhoda (Polly Bergen) resumes her affair with Palmer Kirby (Peter Graves). In Singapore, Pamela Graves). In Singapore, Pamela Tudsbury (Victoria Tennant) meets an old love, and in Italy Aaron Jastrow (John Gielgud)

and Natalie Jastrow Henry (Jane Seymour) attempt to escape to Palestine."

rescape to Palestine."

The Chief Monitor waved his tendrils and changed from pink to blue. "This is all very well," he said, "but what about the ethics of the warfare business? Have they been discussed? I can easily appreciate that WW2 makes for splendid entertainment. But is anybody learning anything?" anything?"
"Possibly," said Pi. "Bomber

Harris, for example, on BBC 1, was a first-rate drama about the saturation bombing of German cities. Bomber Harris was a fanatic, of course, but he had a fanatic, of course, but he had a better grasp of strategy than most of them put together. John Thaw played him to perfection. As head of Bomber Command, it was Harris's belief that he could consign the Third Reich to oblivious just by bombing it; that there was no longer any need for tanks and armies and land-based warfare; that by taking apart every German industrial city 'street by street and block by block,' he would remove the need for a land invasion by the allies and save im lives.

save im lives.

"Naturally, be ran into a spot of bother when Dresden was pulverised at Stalin's request so as to help facilitate the Russians' advance on Berlin, But as Harris said. 'All the Comment terms and treather. lin. But as Harris said: 'All the German towns put together aren't worth the bones of a British granadier.' What Bomber Harris brilliantly brought out was that in 1942 and '43, the last notions of romance and chivalry were disappearing from earthly warfare. The old rulebooks were about to be atomised. Asked about the ethics of bumbing. about the ethics of bombing, Bomber Harris replied: There

aren't any.". "So give me an overview." Om told his subordinate. "Has this great outpouring of WW2 material caused rioting or unrest? Are the politicians back from boliday, thumping their chests?"

"Of course they're not."
"Have the submarines been



John Thaw and Robert Hardy in "Bomber Harris"

"Of course they haven"?."
"I am pleased to hear it. But we have got to be alert. Earth, as you know, is a violent and primitive planet, but it is still extremely precious. Their sechorating is 0.06000000000000.
In the view of the Grand Council, the only chance they have 

channels are launching their new autumn schedules. On Seturday, on BBC 1, we had The Noel Edmunds Saturday Road Show followed by Bob's Full House, then 'Allo, 'Allo, then Russ Abbot, followed by All Creatures Great And Small."

channels are launching their

"Who is Noel Edmunds?"
"Edmunds is a bearded person who makes jokes about the
Japanese and about changing
bebies nappies."

"Of course he isn't." "Of course he isn't."
"And who is Bob?"
"That's Bob Monkhouse. He
makes jokes about toilets and
about Michael Jackson. Then
he gives out prices. He's not
humy, either."
"So spart from WW2, things
are much as not pied on British
telectricion."

You can say that again."

was unaccountably ignored by

Michael Thompson-Noel

# BBC Symphony

ALBERT HALL, RADIO 3

and intriguingly varied pro-gramme expertly conducted by Oliver Knussen, marked the 75th anniversary of the foun-dation of the Performing Right Society, Alongside Debussy, Musorgsky and Stravinsky, all very much Knussen specialities, were his own exuberant Flourish with Fireworks, writ-ten last year to welcome Michael Tilson Thomas into his new post with the LSO, and pre-mieres of substantial pieces by Minna Keal and John Tavener. Keal's Symphony is by no

this was the first public per-formance of the complete work. Its first three movements were played at an SPNM concert in 1984, and the whole thing was broadcast by Radio 3 last year. Minna Keal's extraordinary return to composition in her eighth decade has been widely told; an awareness of the background and the symphony's genesis, five years in the writing, makes it hard to separate out the achievement of the work itself.

One might have expected something more craggily indi-vidual, perhaps with an unlikely collection of influences, but Kcai's music turns out to be throughly schooled in an idiom which slots comfortably into the British conserva-

tive mainstream (Roberto Gerhard is in many ways the closest point of reference). The symphony is densely argued and deftly scored; its progress through a traditional fourmovement symphonic scheme lucid and convincing. There are few moments of striking imagery, however, and one is left with the impression of a well-made, tense yet rather monochrome score.

Tavener's The Protecting Veil for cello and string orchestra is a BBC commission, a 35-minute meditation on the life of the dox feast which commemorates her protection for the besieged city of Constantinople, Tavener describes it as a "lyrical icon in sound"; the cello is hardly ever silent, and the effect is of an endless melodie stream to which the string orchestra generally adds punctuation and

It is throughly individual, haunting in a way similar to Arvo Part's recent works, and impelled by an equivalent reli-gious faith. At the same time it is curiously ungraspable, and emotionally distancing in its archaic melodic retrains; even Steven Isserlis's impassioned cello playing falled to lend it

**Andrew Clements** 

# Davide e Betsabea

TOOI FESTIVAL, ITALY

A handsome Teatro Comunale stands squarely in the centre of Todi; but it has been closed — officially under restoration — for years. And Silvano Spada, the energetic artistic director of the Todi Festival, now concluding its third edition, has had to invent performance spaces for the numerous attractions that numerous attractions that cram his ten-day calendar. Cinemas, abandoned chapels, ancient halls, even the main city square have been pressed into service. And, for this

audience was invited into one of the most beautiful Renaissance eburches in central Italy, the isolated, harmonious Santa Maria della Consolazione, which if it was not designed by Bramante (as some bistorians bave suggested), is in every way worthy of bearing the master's

The work being given there was Nicola Porpora's oratorio Davide e Betsabea (Grove calls her "Bersabea," screly an error), first heard at Liecoin's Inn Fields on March 12, 1734 and seldom, If ever, heard since. Todi chose to revive the piece also out of local pride, for the librettist was a son of the city, Paolo Relli, long a London resident, librettist to Handel,

translator of Milton, Italian tutor of the royal children. He spent his last years in Todi and died in a large, sober palazzo just to the left of the Duomo. The Todi Festival Orchestra, an ad hoc group firmly led by the young Valter Attanasi, played a score "adapted" by Bruno De Franceschi, whose programme note was less than specific, Since no libretto was provided, either, it was hard to form much of an opinion on Rolli's text, also because the young singers were not notable

Surely, the score was cut (the performance lasted not much over an hour); but what the public did hear was extremely agrecable. In fact, the critic could apply to it the same sort of evaluation usually applied to the works of Salieri. written half-a-century later: highly professional, interesting instrumental textures, floent tunes, nothing tudelibly memorable or in any way disturbing. As one would expect from the greatest singing-master of his time. Porpora's writing for the voice proved more inventive and arduous than his writing for

the orchestra. The young singers, musical but hardly experts, could give only an adequate idea of the

music: the counter-tenor Stephen Woodbury (David) has the small, flexible, not particularly engaging voice that is usual for his category; Marie Stephane Bernard's soprano was also small, but not unpleasant, and he was an enjoyable, dim Betsabea.

In the smaller role of Abigail, Carmen Palayse revealed more power and colour, though she was short on style. The Consortium dramatically filling the lofty, vaulted spaces of the

Though Todi's varied programme allots a fair amount of space to music, it is really a theatre festival, a festival for insiders; and you are, likely to see more actors in the house than on the stage. The generally small playing areas make chamber works, experimentation a necessity. Most of the works given are also fairly short - an hour is the usual length - and they fellow one another (when they do not overlap) in dizzying

Of the pieces givan the opening weekend - which included an adaptation of the New York hit Nunsense

particularly entertaining was a confection entitled Le muse deiuss (the disappointed muses), staged by Filippo Crivalli and starring Glaniranco Mari, a portly, baiding actor with an extraordinary talent for imitating, quirks and all, some of the leading sopranes and merzes of our time.

Mari, extravagantly dressed as an 18th century "musico" (then costumed variously as Musicum chorus (Lubjana), the interpreted arias after a ragged start, sang demanded), performed a vigorously and well, repertory ranging from Bassani and Pergolesi to Donizetti and Verdi. His Donizetti, in particolar, recalling a much-admired Turkish interpreter, was mordantly funny and, at the same time, somehow exciting. Actually, Mari has a big voice and uses it well. Joling saids, he would have been welcome in the Porpora oratoria.

At this stage in its career, the Todi festival still has the atmosphere, the charm, of a private party (it suggests Spoleto in its early, less popular days), it enlivens the city, but does not alter its leisurely pace or mar its

William Weaver

# Trisha Brown

BATTERY PARK CITY, NEW YORK

New York, a friend of mine said recently, is now located in a rain forest; this number, it seems to have rained nearly every night. On a rare evening of sublime clarity and cochess at the end of August, the piece to be was the World Financial Conter at Battery Park City. Center at Battery Park City, where the Trisha Brown Company performed at the open-air Plana beside the Hudson River.

Actually, they performed not only on the stage there, but on the water. Brown revived Raft performed once only in 1974, on a lagoon at the Walker Art Center in Minneapolis. Trishs Brown has always been known for her choice of unustal venues her early "equipment pieces included Man Walking Down the Side of the Building and Walking on the Wall (which consisted of just what the titles said), while Roof Piece took place on a number of rootops in the Solio district of Naw York, the dancers "passing" the movement from one root to another. Later she made a number of "accumulation" pieces, in which another movement is

added at the end of each repetition of a phrase. Raft Piece combines both kinds of experiment. Like Primary Accumulation, it is performed by dancers lying on their backs, floating on rafts rather than on terra firms. On this occasion, they ware not this occasion, they were not quite on the river itself - that might really have been a marina at the river's edge.

marina at the river's edge.

Even so, the tide was strong enough to carry them to the southern end of the cove, where the dancers imperturbably carried out their choreographic task, lifting arms and leas, twisting and turning their bodies, until the accumulation was compisted.

Then we all went back to our sents on the Flaze, we had been put on our bonour to so sents on the ridge, we had been put on our bonour to go back to our nriginal places instead of taking someone clac's, and it seemed to work, even though only those on the bleachers had a good view of the store

the stage. There we saw a performance of Brown's most recess work, Astrol Convertible, her latest collaboration with Robert Rauschenberg. This had a "preview" in Moscow in January, at the time of the artist's exhibition there — an

event of some significance that

the western press, even though (or perhaps because) it took place at the same time as Makaraya's return to the Kirov Thestee in Languad.

Since then, Astrol.

Convertible has been seen at the City Center Theater in New York last March (where I missed it) and in Montpellier this summer, Rauschenberg's set is designed for use in any kind of circumstance, indoors or outdoors; it consists of eight towers made of aluminium struts which house both the lighting and the sound systems. The tapes on which Richard Landry's score is recteded - natural as well as electronic soonds - are triggered by the dencors' movements. The dancers all wear silvery unitards; the wunen's bave a chiffon panel between the legs. The lighting is pure white. The effect, on an evening when the moon was dark, was that of e magical

urben mounscape. Next year sees the twentieth anniversary of Trisha Brown's company, in colchration of which she intends to revive other earlier places. But even in her recent work motifs recur from the past in Set and Reset someone almulates walking on the set. the wall, carried by other dancers; in Lateral Pass someone is hoisted into the air by a barness; in Astral Conversible there is an echn of the Leaning Duets of 1970 when people walk forward tilted at an angle, supported on one side or the other, or both, by a partner, and the dencers several times line up (the title of a 1976 piece), lying on the stage floor. Brown said recently that she

often goes tato reheartal with a new movement idea in her head, and tries to get the dancers to do it. Astroi Convertible is full of such discoveries, particularly in the unconventional partnering and in the vigorous passages for the four excellent men in her company - coiling and recoiling and sliding. Talling into a catch or a hold. The work's atructural rigour and the deceptively relaxed look of the movement give it an air of casual elegance. Brown was one of the original members of the avant-garde Judson Dance Theatre in the early 1960s, and she's still out in front.

David Vaughan

# September 1-7

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# **ARTS GUIDE**

THEATRE London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shy-lock a sympathetic, semaphore-gesturing alter to Peter Hall's fine Venetian Renaissance pro-duction. Geraldine James a superb Portia (\$35 2294). The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in iris Mur-doch's distillation of her own

Hamlet novel (336 6404). A Flee in Her Ear (Old Vie), Fey-A Feet in her Ear (Oid Vir). Fey-desu's farce in the John Mor-timer translation spiritedly done as German Expressionist night-mare by Richard Jones and the Quay Brothers, the directing and design team on WNO's Loor of Three Oranges. Jim Broadhens leads good cast as the discom-filed insurance manager and his donneiganger, a direction his doppelganger, a drunken hotel porter. (928 7616, cc 240

7200).

Veterant Day (Haymarket).

Imperfect Donald Freed nationalistparanoia play about three vetcrams gathered to bump off thePresident partity redeemed by
fascinating duo of psychotic Victnam here Michael Gambon and
bightly accommodating Savand brightly accommodating Second World War buddy Jack Lemmon

(930 9632). M. Butterlly (Shaftesbury). Anthony Hopkins as the instance diplomatic hero in a Peter Shaf-fer-style "spectacle of ideas" dressed up in John Dexier's cressed up in toom bener's superb production as a metaphor of homosexual life. The transves-tio tragedy proves less electrify-ing than in New York, the play is not very good but still worth seeing (379 3339).

Henceforward (Vaudeville), Mar-tin Jarvis and Joanna van Gya-rethem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of Obsession, devotion, computer music, women as robots, games on the streets and a tug-of-love. Ends Sept 16 1936 9067, cc 741

9509).
Aspects of Love (Primer of Wales). Andrew Lloyd Webber's latest is an intimate chamber intest is an intimate chamber operetta derived from David Gar-nett's 1955 rowells. Musically interesting and well directed by Trever Num, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unappetacular, bit 1859
8822.

**New York** 

Beidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American haby boomer goes from sup-port for Eugene McCarthy's pres-idential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emo-tional flavour of the period (230 6200)

bill!
Lend Me a Tenor (Ruyale). A
sprucing up in the set of a decaying town's big time opera ambilious makes a transatiantic bit torse makes a transaction of this farce, first produced in London, but now with a local cast led by Pinlip Bosco and Vactor Garber (239 6200), Jerome Robbins' Broadway (imperial). Anyone attracted by the notion of a three hours of film trailer previous will adore this compendium of Robbins' directed and characterisphed

plays of the past 40 years, includ-ing On the Town, West Side Story and Gypey. The lustre of the credits is dimmed by the bervity of each place, with a con-temporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical. Rumours (Broadhurst), Neil

Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mug-ging but hollow humour that minum as often as it hits. Chris-tine Baransid leads an ebuillient cast in the inevitable but disappointing hit. Cats (Winter Garden). Still a sell-out, Trevor Num's production of T.S. Eliot's children's

portry set to music is visually startling and choreographically feline (279 (262). Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of bistory and pathos brings to Broadway leasons in pageonity and drams 123 6200

icraoms in pageontry and crams (239 6209).

Me and My Giri (Marquis). Even if the plot turns on ironic minicry of Pygmalion, this is no classic, with forgettable sough and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway in (947 9033). proved to no a gurante Brondway hit (947 9023). Phantom of the Opera (Majestic).

Stuffed with Maria Bjornson's gided sets, Phanium rocks with Andrew Lloyd Webber's haunt-ing melodies in this mega-trans-fer from London (239 6200).

### Chicago

Driving Mas Dalsy (Brist Street). The touching relation-ship between a downger, played in this production by Dorothy Loudon, and her black chauffour exposes the changes in the South over the past several decades (345 4000). Steel Magnollas (Royal George). Ann Francis and Marcia Rodd play the lends in this view of nouthern life from under the day-ers in a busy habricasing estab-lishment (988 9000).

The Cocktail Hour (Eisenhower). The original Broadway cast including Nancy Marchand and Keets Curtis bring in A. R. Gur-

Tokyo

tery's latest comedy of manners in which a writer asks his fami-ly's permission to write about them. Ends Sopt 23. Kennedy Center (254 3670). Gypsy (Konnedy Center Opera House). Tyne Baly takes the Ethel Merman role as the stage mother pushing her daughter into notoriety as a striptease artist in this 30th anniversary rovival of the wonderful Stephe Sondheim-Jule Styna musical with sores like "Smell World". de Sept 17 (254 3770).

Kabuki za. Both the 11.00sm and 4.30pm performances are mixed programmes this mouth. The bighlight of the evening show is undoubtedly Cho no Michigaki (The Chiller Cho to Marigues (The Chiller-flies' Jaurney), a gargeous dance piece about two lovers whose transformation into butterflies is a symbol of death. Tickets con be purchased for a single act on the day of the performance and the theatre provides informathe English Language pro-grammes and earphone common tary (541 7131).

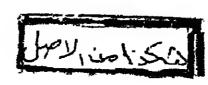
Ukrainian State Dance Company returns

Company is returning to Britain this sutumn after an absence of ten years. The tour will open at the Chichester Festival Theatre on

October 5 and then visit Bris-tol, London Che Royal Albert ter and Cardiff.

The Ukrainian State Dance Hall) Poole, Paignton, Dublin Company is returning to and Camerbury. In Kovember, it will appear in Nottingham, Manchester, Blackpool, Somberland, Leeds, Sheffield, Atendoon, Glasgow,

 $\mathbb{I}_{n \in \mathbb{N}^{n}} \circ g_{n}(x) \to g_{n}(x) \to g_{n}(x) \quad \text{for } x \in \mathbb{R}^{n} \times \mathbb{R}^{n}$ 



# FINANCIAL TIMES

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Wednesday September 6 1989

# The decision at Plessey

INSTITUTIONAL shareholders in the British electronics group Plessey have never been much enamoured of the choices on offer in the long running take-over battle with the General Electric Company (GEC) and Siemens of West Germany. But this week decisions can no lon-ger be evoided: the first closing date for the GEC-Siemens offer is tomorrow and, more impor-tant, GEC will be able to buy Plessey shares in the market after its extraordinary general meeting on Friday. The institutions, which in the past have been all too passive in relation to both companies, now find themselves temporarily in the

driving seet. Plessey's case for continuing independence rests beavily on the assertion of its managing director Mr Stepben Walls that the corporate leopard has changed its spots. Sir John Clark, who in nearly two decades as chairman and chief executive has failed to inspire an entbusiastic institutional following, is to become a nonexecutive chairmen next March. Plessey's viability as an independent company in telecommunications is no longer at issue since Mr Walls has already committed Plessey to the sale of its stake in this business. So the outcome turns on the credibility of the rump.

#### Ambitious plans

Mr Walls argues that the company is already using technologies acquired in the military area for new civil prod-ucts. It is also seeking to conclude an alliance with a leading Japanese semiconductor company, as yet unnamed. And it bas ambitious plans in its European networks and services business.

Apart from telecommunica-tions, which might have been dealt with as part of an agreed deal leaving the rest of Plessey to fend for itself, the industrial case for parcelling out Plessey assets between GEC and Siemens is not overwhelming. Even in semi-conductors, where Plessey needs a partner, joint ownership by two companies which bave had entirely different strategies for this sec-tor may not be the most promising way forward. The problem is that, except in outline, no other way forward is on offer. Even though, from an continued independence of Plessey has its eppeal, the institutions are being asked to to take s great deal on trust. While Mr Walls has impressed many in the City with the conduct of the defence he is related. duct of the defence, he is rela-tively inexperienced for the job of building and leading a major international electronics busi-

#### Uncertainty

Yet Lord Weinstock's institutional following has also suffered disenchantment in the 1980s and the issue of manage-ment succession remains unre-solved. GEC has been seeking to advance through joint ven-tures with powerful foreign partners. But there is some uncertainty about the strategy and direction of the group after the recent restructuring.

The GEC cash offer is not

generous. But the alternative involves making a risky ges-ture of faith in a supposedly new-look Plessey. If, as seems likely, the institutions take the easy way out and sell their Plessey shares, they should seek to learn some lessons from the affair. The Plessey record has been patchy and there have been several occa-sions in the past on which the institutions, as active and interested owners, could have intervened to change or strengthen the Plessey man-agement. One recognises the inhibitions under which the

institutions operate - their duty to policy holders, their lack of industrial know-how, the difficulty of dealing with a dominant chief executive — but it is wrong that the respon-sibilities of ownership should be exercised only at the time of a take-over battle. If it wins the contest, the

focus will be on GEC. The recent corporate alliances have made the company even less vulnerable to a hostile takeover than it was before; this puts a greater onus on the monitoring role of institutional shareholders. The institutions cannot be expected to second-guess Lord Weinstock in running the business. But they do have responsibilities and powers in relation to management succession and hoard structures. They should be pre-pared to use their influence if they think changes are needed.

# Early election in Spain

WHEN POLITICAL leaders opt for early elections, the decision usually comes with little advance signalling. Felipe Gonzalez, the Spanish Prime Minister, has done precisely the opposite. His announcement ast week of elections in October, eight months early, was well flagged and has taken no

one hy surprise.

Mr Gonzalez hopes to gain e
new mandate by taking advantage of the continuing popularity of his Socialist Party and the divisions among the oppo-sition. He is also concerned sition. He is also concerned about the overheating of the economy and the likelihood that politically unpopular remedial measures will be required. Equally, the potentially unpopular task of integrating the hitherto protected specific according to the Spenisb economy into the European Community by 1992 is only now beginning in ear-

The opposition will cry foul over Mr Gonzalez' political opportunism, but it is understandable. The Socialists fared exceptionally well in the European parliamentary elections in June. Moreover, public sentiment remains favourable to the government, despite growing unease at the corrupting influence of the easy money generated by rapid growth and the inflows of foreign invest-

#### Justified opportunism

His opportunism is also justified. The Socialists have governed unchallenged since 1982 by occupying the centre ground of politics. The opposition remains bopelessly fractured and offers no clear alternative. This situation has impoverished political debate and creeted a certain arroand creeted a certain arro-gance and corruption among the Socialists, especially in local government. But the possession of a strong government is crucial for Spain's own political and economic develop-ment, as well as its relations with the EC. Such a govern-ment can only be provided by

the Socialists.
None the less, Mr Gonzalez needs to clarify the economic measures he proposes, if he is to gain a mandste for bold action. Fortunately, his most important point should be a congenial one: it is unnecessary to panic about the economy. Not only is it desirable for Spain – a relatively low-in-come, high-potential economy on the periphery of the EC – to continue to grow rapidly; it is equally appropriate for it to borrow abroad

In any case, the instruments available for short term control of demand are limited. They became still more so when the decision to join the exchange rate mechanism of the European monetary system (RMS) was taken last June. If npward pressure on the exchange rate were to become overwhelming, the peseta could be revalued as a last ditch counter-inflation-ary measure. But such a revaluation would be economically damaging. It also looks unnec-essary, with rates of interest on three-month money close to 15 per cent and the peseta below its peak of last June.

#### Reduced borrowing

Only fiscal policy and direct control over credit are left. Of these, fiscal policy has been quite successful. The share of public expenditure in gross domestic product has stabilised at a little over 40 per cent, well below the average for the Euro-pean members of the OECD. Net government borrowing has also heen reduced, from its peak of 7 per cent of GDP in 1985 to only 3 per cent in 1988. Nevertheless the structural

Nevertheless, the structural deficit remains too high. Furdeficit remains too nigh. Further efforts to raise revenue and tighten fiscal policy are needed. At present, taxes fall very heavily on the few who actually pay them, the reason being the prevalence of tax evasion. A future government must widen the tax hase furmust widen the tax base, fur-ther reform the tax structure

and improve tax collection. Measures to control credit expansion will also have to be expansion will also have to be made more effective. Curbing such lending is difficult, how-ever, because the economy has become open to international capital and because so much of it remains ontside effective government control.

While curbing demand desireble, progress will be slow. Fortunately, the Government should have the time It needs. In any case, the prime challenge is not overbeating but the longer-term task of modernising both the economy

# hen Cape Town citizens awake this morning, the day of South Africa's will find no milk on their doorstep.

At the weekend, a leading dairy warned it was suspending home deliveries in the city because of e two-day general strike called by black unions to protest at the elections, from which blacks are excluded. It counselled by the co

blacks are excluded. It counselled bousewives to stock up on Monday, or risk running out of milk.

Voters in most countries can be sweyed by such trivialities, and South Africa is no exception. The challenge for political analysts is to determine which voters will respond to what kinds of last-minute stimulus — and to take a stab at questing who will to take e stab at guessing who will win the election on that basis. Most analysts agree that the task this time is more difficult than ever.

It has become almost a cliché to say that today's election is likely to be the most closely contested in 41 years of National Party rule; even the National Party does not disagree with that.

But the degree of National Party

concern was never more evident than in a pre-election briefing given by Mr Stoffel van der Merwe, the Minister of Information, to members of the for-

eign press.

Mr van der Merwe's guess was that the Netional Party would win 100 of the 166 seats in the white house of parliament, 23 less than they won in the last poll in May 1987.

Given Mr van der Merwe's position

Given Mr van der Merwe's position as a government spokesman, this is almost certainly an optimistic estimate. But even if the party's true forecast were to fall into the mid to upper 90s - a range favoured hy many political commentators - that would still give the National Party an shoolute majority in the white legislature

That has not, however, stopped talk of a hung parliament in which no party gains a majority of 84 seats. For the word on almost every commentator's lips is "fluidity." Just two days ago, informal polls were still showing as much as 20 to 25 per cent of the electorate upon day Marron parts it this way.

Mr van der Merwe puts it this way:
"Normally, people inherit their political affiliations like they inherit their
religion. But at times of crisis, they
re-evaluate these affiliations, and you get much greater fluidity among the voters."
Indeed, one of the last public opin-

ion polis published before surveys were suspended six weeks ago showed a clear bias towards a hung parliament the poll conducted by an influential political scientist. Professor Lawrence Schlemmer, predicted that an 80 per cent voter turn-out would yield 78 seats for the Nationalists, six short of overall majority.

But that was before any of the three white parties really got into the rhythm of campaigning — and long before the formidable National Party

machine shifted into high gear.

It also preceded a number of other important events: the launch of the anti-apartheid defiance campaign which has brought black political activity to a pitch not seen since a state of emergency was imposed in 1986; the African safaris of acting President F.W. de Klerk to Zaire and Zambia; and two successive Spring-bok triumphs in the rebel rugby tour, which have warmed the hearts of many a white voter. Indeed South African radio, which normally reflects play out of the Springbok victories. Yet it was the resignation of former President P.W. Botha just over three

President P.W. Botha just over three weeks ago which seems to have kicked off the liveliest campaigning. Until that time, the National Party appeared to be saving its strength while the Democratic Party, a coalition of liberal white parties formed only five months ago, was dissipating its energies on a campaign that peaked before the Nationalists even got going. got going.

# Patti Waldmeir reports on the most closely fought South African election for 40 years



Three protagonists (i to r): Andries Treumicht of the Concervatives, F.W. de Kierk of the National Party and Denis Worrall, Joint leader of the Democratic Party

# De Klerk squeezed from both sides

With Mr Botha safely out of the way, the National Party got husy hurnishing the image of Mr de Klerk. From platforms throughout the country, Mr de Klerk made the same visionary speech over and over again about peace and prosperity in our time. The language was vague enough to accommodate a wide range of interpretations; but the image of the "new

broom" seems to have got through.
Under the headline "new leader,
new vision, new action," Mr de Klerk
outlined his programme for change in the weekend press. The advertisement speaks of hridging the gap of distrust, suspicion and fear among South Africans; lannching a "great indaha" or negotiating forum; opening the door to prosperity and economic growth; developing a new constitution allowing individuals to participate without domination; and controlling unrest domination; and controlling unrest with a firm hand. Nowhere does it refer to the con-

cept of "group" rights - the National Party's own patented way of referring to race in South Africa. The invitation to individuals to participate in the constitutional future "without domination" is enough of a clue that Mr de Klerk is not proposing black majority rule. But the language of the adver-tisement seems designed to appear reasonable and moderate to liberalleaning voters.

For the National Party seems to have taken the tactical decision that votes lost on the right of the party – to the ultra-right wing Conservative Party of Dr Andries Treurnicht – are

lost forever. The language of the de Klerk advertisement — indeed; almost everything he has said since becom-ing acting President — would be anathema to Conservative Party-inclined voters. The question is whether Mr de Klerk's grandiloquence has won over wavering liberals. The anti-apartheid defiance cam-

paign, which has generated so many international headlines in recent

Normally, people inherit their political affiliations like they inherit their religion. But at times of crisis, they re-evaluate these affiliations, and you get much greater fluidity among the voters'

days, will have helped the Nationalists stop creeping defections on the left. For despite efforts to distance itself from the so-called "Mass Democratic Movement" — the loose coalition of anti-apartheid groups mounting the campaign — the Democratic Party will suffer the most damage from resurgent black unrest.

Indeed, several respected political analysts have substantially increased their estimates of National Party support since the anti-apartheid upheav-

als in Cape Town last weekend. The resurgence of unrest may well shift the entire electorate to the right with Democratic Party voters opting for the Nationalists, and some Nationalists preferring the Conservatives. But the unrest is centred in the Cape, where the Democratic Party has the

Had such unrest occurred during the last campaign, in May 1987, there seems little doubt that the National Party government would have reacted with a vengeance. In that election, Mr Botha was asking voters for a man-date to maintain law and order, his date to mannain law and truet, his language was the language of war, his aim to persuade South Africans of a "total onslaught" waged against them by the African National Congress, the international community, and the

international community, and internal opposition.

The words "total onslaught" have not been heard from Nationalist lips in this campaign. And though South African police; have besten and whipped a number of demonstrators—not to mention using teargas and arresting Archbishop Desmond Tutu - their response has not been particularly brutal by South African stan-

This time, Mr de Klerk has made it This time, Mr de Klerk has made it clear he is asking for a mandate to negotiate a new constitutional future for South Africa. The challenge for voters is to determine whom he is willing to negotiate with, and what those negotiations will be about.

Mr de Klerk has already succeeded in the state of the in conveying his bona fides to the

most unlikely of interlocutors - President Kenneth Kaunda of Zambial. President Kaunda plays host to the ANC, the main exiled movement fighting white rule in South Africa. His officials say that last week's meeting with Mr de Klerk left him favourably impressed with the South African's commitment to negatiation are accolade from one of apartheid's most virulent critics.

For its part, the National Party is not keen to get down to specifics about negotiation. But Mr wan der Merwe says it does not exclude the participation of the ANC in eventual talks: We don't dany that members of the ANC should be seated at the table, but not so long as they have hard grenades in their pockets," he told journalists.

Indeed, the National Party is not keen to get down to specifics about anything. Its leaders have recognised that voting for them is a leap of faith, and set out to make Mr de Klerk the kind of man whom voters can trust with their future.

The party has successfully projected we invested the searce of Mr de Klerk the contract o

with their future.

The party has successfully projected an image of Mr. de Klerk as African statesman; in the space of five days last week, Mr de Klerk met four black African leaders and visited two neighbouring black states. For the "white tribe of Africa," this evidence of inclusion in the African community to release and long overtibe.

of inclusion in the African community is welcome, and long owerdne.

The Nationalists have, in any case, a hig head start over their competitors because of their domination of the broadcast media: a significant advantage in what has proved to be the first South African election campaign to revolve around lelevision. In a campaign based on image projection, control of the media is essential. But that, on its own, will not prevent white South Africa from registering a huge protest vote when it goes to the polis later today. The National Party is likely to find its political base eroded from both left and right. The Democratic Party, which proposes a federal solution to South Africa's racial problems, will almost cartainly improve on the 21 seats it can now speak for; and the Conservative Party, with its commitment to classic apartheid, could well double its current 22 seats.

seats.

For there is ample reason for disaffection with the Nationalists. The dire state of the economy may have failed to become a truly salient campaign issue; but it could, none the less, weigh with voters when they come to cast their ballots. And voters may well wonder what the National Party can offer them in political warms are can offer them in political terms as well the party has been touting the same vision of apartheid reform for years, with little to show for it in terms of international rehabilitation

or internal reconciliation. No one appreciates the appeal of the Conservative Party better than the Nationalists: the Conservatives offer an implausible vision of a secure past, within segregated white home-lands; the National Party offers, at best, an uncertain and difficult future. As Professor David Welsh of the University of Cape Town argues, the National Party is uncertain where its

National Party is uncertain where its ideological centre of gravity lies. The Nationalist caucus, he believes, is deeply, divided on fundamental issues relating to apartheid; the loss of anything up to 20 seats could put severe strains on its cohesion.

If the Conservatives should get 50 centre were in today's roll.

seats or more in today's poll – which is not impossible – the Nationalists' room for manoenvre would be room for manoenvre would be severely constrained in the next parliament. The cleavage within the party – and within white society in general – could only deepen.

Democratic Party election posters call on South Africans to vote with

their hopes and not their fears. The National Party, wisely, is appealing to both those sentiments. Voters will not buy such ambiguity forever, but, in all probability, this will not be the election in which they reject it once and for all and for all.

# From Cowley to Sofia

■ There are very few British businessmen resident in Bul-garia and business is hard to come by, not so much because the Bulgarians are unwilling hut because of the shortage of foreign exchange. Yet when I was in Sofia last week, there were repeated stories about the chances for British Aero-

space.

There are three projects. The
Bulgarian airline is about to buy non-Soviet aircraft for the first time. A BAe 146 has already been on view in the country. Secondly, the Bulgarians are seeking to build a huge new modern airport outside Sofia as a joint venture. (The present one is antiquated and is about to be closed.) BAe could have a natural interest in that.

The third and potentially most intriguing is that the Rover Group might supply Bulgaria with a car industry by transferring some of its older assembly lines and models.
Balkancar, easily the country's
most successful company and
the world's biggest maker of
fork lift trucks, already uses engines under licence from Perkins and Ford UK, as well as assembling 20,000 Soviet cars e year. For Rover to move in would be e big deal.

Rover, of course, is nowa-days a subsidiary of BAe. From inquiries at this end, however, it is not clear that the car company and the aerospace firm realise that they could be in Bulgaria together. It might be e good idea to send e few more people to Sofia to find out what is at stake.

#### Last furs

A small animal rights dem-onstration ontside 67 Upper Thames Street yesterday morning was the only ontward sign that one of the City of London's oldest commodity markets was breathing its last. Inside, some 400 skin traders

# **OBSERVER**

from all over Europe were at the last fur auction to be held of the Hudson's Bay Company, founded here in 1670 in the reign of Charles the Second to harvest the great fur forests

Within four hours, some half a million Karakul lamh skins from Afghanistan and Namibia were euctioned to agents representing buyers all over the world. They then dispersed without ceremony, promising to meet again in Helsinki which already hosts the world's biggest fur sales. While the animal rights

lohby claimed a famous vic-tory, Tony Kshyalan, 43-year-old director of Hudson's Bay, London, said he was "sad" that this was his last anction here. But he insisted that it was rocketing rents, rather than public sentiment about for coats, which had driven the trade from its traditional haunts around Garlick Hill nauns around Garner Hill and Skinner's Lane. Mink prices were indeed low, but this was a cyclical result of overproduction two years ago. "Demand is very good and prices will eventually recover", he added.

Although refurbished only in 1982, Hudson's Bay House will now be knocked down. The site will be redeveloped together with the adjoining property owned by Hudson's Bay, Canada, the parent com-pany, which two years ago sold the fur auction business to the Finnish mink farmers.

War on pay

An alliance of left and right. continues its campaign against Britain's most highly-paid busi-nessmen. Following Downing Street's strictures against Lord King for the 117 per cent pay



increase he received from Brit-ish Airways last year, the Labour Research Department has weighed in with e survey of directors' pay in 52 companies. The trade union-backed

research organisation com-pares Lord King's rise - which brought his pay to £385,791

- with the six per cent
increase given to BA's ground staff.
The Department also picks

out Ian Prosser, chairman of Bass, whose pay rose 70 per cent to £248,560. Pay increases for the workers et various Bass subsidiaries ranged from 5.5 per cent to 10.3 per cent. per cent to 10.3 per cent.
Geoffrey Mulcahy, chief executive of Kingfisher (formerly Woolworth Holdings), received a 52.4 per cent increase, bringing his pay up to \$701.000, compared to 7.5 per cent for the workers et Woolworth.
On the Loborn Research list

On the Labour Research list are some companies which have reduced the pay of their highest paid directors. Those include Lord Hanson whose remuneration fell 1.9 per cent,

despite an 18.6 per cent As this left him with £1,239,000, the comrades at Labour Research are not shedding Irish cats

# ■ The story about the Irish

cat and the Irish salmon in yesterday's Observer had unsuspected depths. It may be an example of "urban myth", like the story of the dog in the microwave or the Granny in the boot of a car.

A remarkably similar tale is told about two couples in Ireland sharing a holiday together. One of the wives goes to the kitchen to fetch a whole salmon for dinner. She finds the cat eating a sizeable chunk of it, shoos him off, turns the salmon over, and serves it up without saying anything. When she returns to the

kitchen after dinner, the cat is lying dead on the floor. In horror, she goes back to the dining room and tells all. Everyone races to the hospital and spend an unpleasant night having their stomachs pumped.

pumped.

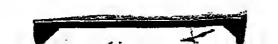
The next day the neighbour comes round. "I'm terribly sorry about your cat," he says. "Last night I ran it over as I parked my car. I trust it is all right?" The couples have never spoken to each other since.

That story comes to us from Rupert Wright, the editor of HP Chronicle, the computer monthly, who swears that it monthly, who sweats that it was told to him as being totally authentic. There are other versions around. Wright and a friend are still seeking verification, and may be induced to pay a small sum of money for it.

# Wrong tally

A reader reports seeing a placard outside a Hampshire newagents: "Man arrested after Nationwide Hunt," Someone had written underneath: "Why does a building society sponsor fox-hunting?





hen the London borough of Hammersmith was finally barred last February by the Department of the Environment from making payments due under its interest rate swap and options contracts, it opened up a legal Pandora's box that it has since been unable to chose.

A State of

The immediate issue is ever the right of local authorities to conduct capital markets operations—whether the pur-pose is for reducing interest rate risk or for raising revenues.

Initially, the consideration appeared

to be a political one. The Conservative Government objected to authorities using fee income from the capital man-kets to escape from Whitehall's restric-tions on local council spending. However, in the process of making a

political point, the Dok has unleashed the spectre of a series of lawsuits between banks, local government, ceniral government and money brokers that could swamp the courts for years to come. It has also called into question the legality of swaps with all non-corporate entities, such as UK building societies, which have only recently begun to use the swap markets to reduce their own exposure to volatile interest rates. Larger building societies are specifi-cally permitted under current UK law to conduct capital markets operations aimed at reducing risk. But when they agree to a swap, hankers have no way of knowing what its actual purpose is: Therefore, any transaction with a build-ing society could be at risk.

The Corporations Act of 1988 affirms

that swap agreements entered into in good faith with corporate borrowers are sound. But there is no such safe harbour for non-corporate entities. This category includes any mutually-owned organisation such as a friendly society or charitable trust or any quasi-govern-mental body which uses capital market

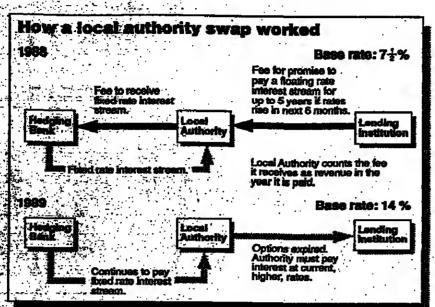
This is the most significant legal question for the swaps market since it began in the early 1980s," said Mr. Michael Canby, a partner at Linklaters and Paines and a specialist in capital markets transactions. The total market in interest rate swaps was the equivalent of \$1,010 billion at the end of 1988, according to the International Swap

Dealers Association. Of that, \$52.27bn were interest rate swaps in sterling. At the height of its activities in interest rate swaps, Hammersmith alone accounted for nearly 10 per cent of the sterling market. While swaps with local authorities account for only a small portion of overall swaps business, the market has been badly shaken by the realisation that comtracts are not inviolate after all: This has caused bankers m the UK and abroad to reassess all

their swap counterparties in an effort to plug the legal loopholes. On October 4, the High Court will consider a request by the District Audi-tor to rule all of Hammersmith's interest rate swap and options contracts ultra vires - ontside its legal jurisdiction. The auditor will argue that the council never had the legal authority to enter into contracts that at one time had a notional principal value of about £5bn, and will ask the court to rule all of them void. Such a raling would mean that payments to benk counterparties.

Norma Cohen reports on the implications of local councils' interest rate swaps

# When fingers get burned



five years if interest rates remain sta-ble, will not need to be paid. Hammersmith, a Labour-controlled council, has already said it does not intend to con-test the auditor's case.

However, the banks to whom the fees are owed have mounted a vigorous legal challengs to the auditor's charges, enlisting the services of the most expen-sive legal advice in the City of London to defend the right of Labour-controlled Hammersmith to engage in capital mar-

kets activities.

But whatever the High Court decides, the matter will not be laid to rest. If the swaps are ruled legal, it will force local authorities to pay huge sums to bankers. This could spell financial ruln for several local authorities, raising the question of whether local gov-eraments can go bankrupt and whether the central government has any obliga-tion to stand behind them if they do. If the swaps are all ruled illegal, as the Audit Commission insists, bankers stand to lose hundreds of millions of pounds, not just from Hammersmith but from every authority which has arranged similar transactions. It will hobble local authorities — and poten-

tially all non-corporate entities - in their efforts to use the capital markets to raise funds and reduce risk. If the court rules that some of the transactions are legal — a view that many bankers privately believe is the most likely — it will leave the judge to decide which of the banks must be paid

and which need not. This will leave the

banks, which have presented a united front on the matter up until now, to fight it out among themselves over The court proceedings are likely to make public some unwelcome details about how each bank does business, possibly exposing some sloppy lending

Bankers and their legal advisers agree that it is unlikely that the DoE, when it provoked the crisis last February hy refusing to sanction payments Hammersmith to its bankers, understood the far-reaching consequences of

While some cynical bankers argue that the DoE intended to punish the banking community for its tacit assistance in local authorities' fund-raising efforts, it is more likely that the Department simply did not have the technical expertise to allow it to foresee all the problems which would unfold.

In February, Mr Nicholas Ridley, the Environment Secretary at the time, declined a request by Hammersmith to be allowed to make payments without its councillors becoming subject to fines or disqualification. The action provoked a crisis, forcing Hammersmith and four other local councils to hold up millions

of pounds in payments to banks.

The action did not come out of the blue. In July 1988, the District Auditor for Hammersmith — Deloitte Haskins and Sells — told Hammersmith that it believed its activities in the swaps and options markets were probably illegal

and that it should begin winding down its position and seek further legal advice. While Hammersmith did seek legal advice in July 1988 and wind down its portfolio, it continued to make pay-

ments under existing contracts.

In 1988, the Audit Commission circulated legal opinions it had sought with respect to interest rate swap and option respect to interest rate swap and option agreements. While the Commission's leading counsel felt that those swaps entered into for purposes of managing debt were probably legal, he took the view that those entered into for the purpose of raising fee income were probably not. The Commission's junior counsel took the view that all local authority swap and options agreements were probably illegal.

In presenting the case to the High Court, the Audit Commission and Deloitte Haskins & Sells are taking the view of the Commission's junior coun-sel and asking that all of Hammersmith's transactions be ruled ultra vires. This position is likely to be the starting point for a series of legal hat-

• If the High Court rules in in favour of the District Auditor, the lenders will continus to appeal until all avenues are

 Bankers have already begun to comb through their local authority swap and options portfolios for those transactions in which the local authority was the net beneficiary - in other words, the bank made a net payment instead of receiv-ing one in return. The banks will then sue the local authorities for return of these proceeds, arguing that those contracts were ultra vires as well.

 Banks are also considering whether to proceed against the money brokers which arranged the transactions on

The role of the money brokers is somewhat complex aince thay only acted as middlemen. Banks habitually lemanded to know the name of the local authority they were matched with, with many refusing transactions linked to rate-capped boroughs. But bankers still argue that they dealt with the bro-kers in good faith, believing brokers would not match them to illegal trans-

What the hanks knew and when they knew it remains a central issue in the whole case. The banks' affidavit before the High Court argues that the Audit Commission never specifically told them that the transactions were illegal and they had no reason to believe they were. Therefore, even if swaps and options are deemed to be off limits for the court of councils in the future, it is unfair to

punish banks retrospectively.

Furthermore, the bankers say, the
Local Government Act of 1972 does not require them to ask local councils in advance whether the transaction is legal. But several banks did wonder whether the transactions were legal. Several banks and securities houses had sought counsel's advice in 1987 and 1988 about the advisability of entering into swap and options transactions with local authorities. Linklaters and Paines, for instance, had come to the conclusion several years ago that the authorities might be exceeding their competence hy entering into those transactions and advised clients accord-

and first likes rewards to the two

EC social charter

# Building an open, free, competitive Europe

**By John Banham** 

he word "visionary" is bandied about in the debate on the proposed social charter for the European Community and the nature of post-1992 Europe. Significantly, it is a compliment in Brussels

and an insult in London. But there is one vision we should all hold on to. The new Europe should be open, free and competitive.

Europe must be able to compete with Brazil, South Korea and Taiwan, where employers have access to workers with skills approaching northern European levels, but where The alternative is a protection-ism which would be incompati-ble with the long-term interests of Europe's consumers and the obligations to the Third

World of its citizens. It does not follow that demolishing the barriers within Europe to the free movement of goods, people and capital will result in increased employment opportunities. If we are more interested in rights than in duties, preoccupied with the distribution of waalth rather than its creation, these benefits could all too easily be realised in the Pacific Basin and South America. Legislating an improved standard of living is not a feasible proposition - any more than is the notion that the relatively weaker British capital base can be expec-ted to sustain West German

levels of social benefit. That is why employers across Europe oppose what is on offer in the draft European Community Charter of Funda-mental Social Rights.

Like its counterparts in other EC countries, the CBI is in favour of the recognition of fundamental social rights. Employers do not reject a social charter in principle. But the current approach represents a missed opportunity. Employers hope to see it modified so that it will set out an exciting vision of the Europe we seek to build, and will reinforce the ability of husin to create the wealth which alone can support improved social provision.

The twelva headings or "rights" listed in the proposed Charter cover principles which UK employers support and on which they are committed to making progress through the

framework of legislation on individual and collective rights, through long traditions of collective bargaining, and through voluntary company clock back?

Sadly, there are in the present draft too many examples of yesterday'a approach. Inflexi-ble details, like setting maximum weekly hours, are built in, when today's trend is towards annual hours and today's need is the ability to respond to the market with, say, overtime working. Sweep ing statements and value judgments are presented as incon-trovertible trnths. Some sections are broad and imprecise others focus narrowly on what to amployers are the

wrong issues.

The language, too, is revealing. The draft is littered with phrases such as "rules shall be laid down ...," Member States commit themselves to such steps as are appropriate;"
"[parties concerned] shall set up continuous and permanent training systems;" "dialogue between the two sides of industry at European level must be developed."

If the Commission is merely seeking a political commit-ment, it is doing it in a curious way. It is missing a great opportunity to set out a chal-lenging and exciting vision for the Community in the modern world Employees want to hear what the Single Market can offer. The Charter may not be the "longest suicide note in history," as the Labour Party's 1933 Manifesto was described; but in its current form it provides serious competition for Mogadon among those finding it difficult to sleep at night.

International competition is the motive power that creates wealth and jobs. In this, the UK has nothing to be defensive about and much to be proud of and to share with our partners. More new jobs have been created in the UK over the last few years than in the rest of the Community put together, and polls show that 80 per cent of UK workers feel their present joh is "good" or good" in meeting their three main requirements.

The improved commitment and motivation of employees has been a vital ingredient in the success of the supply side of the UK economy in recent years. Against this back-ground, all social proposals need to be questioned. Do they help to build on what has been achieved, or will they set the A pot-pourri of tired political

nostrums is no substitute for a vision of the open, free and competitive Europe we seek. In the Europe we seek, all citizens will have opportunities to develop their skills and careers, with access to training and retraining throughout their working lives. They will have opportunities to contrib-ute fully to the success of the enterprise and share in the financial rewards of that success. They will enterprise the highest practicable standards of health and safety. They will benefit from steady improvements in the environment. They will have the right to belong or not to belong to a trade union, and the right not to be discriminated against on the basis of race, sex, religion or disability. They will be free to move and work anywhere in the EC on equal terms and with full recognition of skills and qualifications and equivalent transferable social secn-

rity protection. To deliver that vision, employers depend on politi-cians to create the right envi-ronment – freeing barriers to competition, not imposing "social costs" that will inevitably reduce investment and thus competitiveness and job opportunities. The combination of current average British productivity and German social costs would be lethal.

So, Europe's Social Charter must be a charter for enhanced

competitiveness – not a recipe for protectionism and lost employment opportunities. It needs to focus on duties, as much as on rights - on our collective duties to the environment, to the Third World, to the disadvantaged and to the future. It should stress openness and choice, not restriction and regulation. It must focus on the individual, not on the collectivist thinking of the past.

Finally, if husiness does not like the model on offer, we must provide a hetter one. That we shall do.

The author is Director General of the Confederation of British Industry

# 10 set - 1 or a virtues of much to edent Lan and EHITERS

# 'Who will the services service?'

From Mr Dennis S. Collins. Sir, As it is understood that, as a nation, we are now ser-vice rather than manufactur-ing-oriented, it might be aswell to look at the UK track record of these services - cer-tainly in the financial sector. If the individual citizen and

small private investor looks to the great financial institutions - banks, insurance companies, exchanges - for advice and guidance on his or her affairs, which they are glad to provide (at a price) what does he see in their handling of their own

He sees banks writing off many millions in Third World debt; incurring huge losses over disastrous expenditures in anticipation of "Big Bang," and further losses since deregula-tions; the result of rash incursions into broking and the gilts market, not to mention underperforming overseas acquisi-

Banks, together with insurance companies and building societies, have suffered enormous losses through their herd-like rush, with incredibly inept timing, into the estate

agency business.
No manufacturing concern or, for that matter, any business outside the financial sector could sustain such losses because of management incompetence, and stay in business.

It is noteworthy that in this holdings are minimal. However, funded as they are by investors and savers alike, they not only manage to survive, but those responsible for the policies they have pursued

cases, honours too.
It is an irony that manufacturing industry has been relegaied to the background; with-out a manufacturing base, who will the services service? Dennis S. Collins, Chanctonbury,

are the recipients of the most

generous rewards and, in many

Seaview Ave, Angmering on Sea,

#### Fair shares

From Mr R.A. Lucas.
Sir, I cannot be alone in agreeing with Mr R.E. Farris (Letters, September 2), particu-larly where the problems of capital gains tax for small investors are concerned.

Clearly the cash element in a bid is important to large insti-tutional investors – for obvi-ous reasons. But it seems to me that the bidding company could make everybody happy if it were also to make some of its equity available to small investors, by offering it as an alternative option for amounts up to, say, £50,000 for individual holdings.

R.A. Lucas, Lingfield, Surrey

# Navigation chart

From Mr Roger Martin-Fagg.
Sir, Perhaps I can help Mr
Rupert Wilson on the issue of a
"soft"/"hard" landing for the UK economy (Letters, August

We took off at the beginning of 1986, when Mr Nigel Lawson, the UK Chancellor, allowed the money supply throtile to open. The value of sterling fell against the German Mark, giving exporters to the EC an opportunity to lift their margins. In the same year, consumer spending grew at 5 per cent in real terms. The multiplier effect of an increase multiplier effect of an increase in retail sales worked through

the UK economy in 1987. In that year, Mr Lawson ahandoned his target for growth in M3. House prices began to rise rapidly, fanned by average earnings growth at 10 per cent and competition between retail banks and build-ing societies for market share, which bid up earnings/borrow-ing multiples. UK manufacturers raised production by 7 per cent in 1987 and ordered more plant, equipment and trucks. On average, UK business held its price increases and raised productivity, giving improvements in earnings per share.

There was a Conservative election victory in the UK and the multiplier effect continued, retail sales growth feeding higher output, higher imports, higher profits, record levels of investment. After the October 1987, stock market crash cem-1987 stock market crash cen-tral banks pumped in liquidity for fear of recession; the money supply grew further.

A "soft landing" can be said to occur when the real growth

in gross domestic product (GDP) slows to between two and three per cent year on year. A "hard landing" is when the rate of real growth in GDP is zero or — for a real bump negative on the previous year. All Chancellors try to main-tain a stable flight path, characterised by stable prices, a broad balance on the external account, real growth of around 2.8 per cent year on year, and fuller employment.

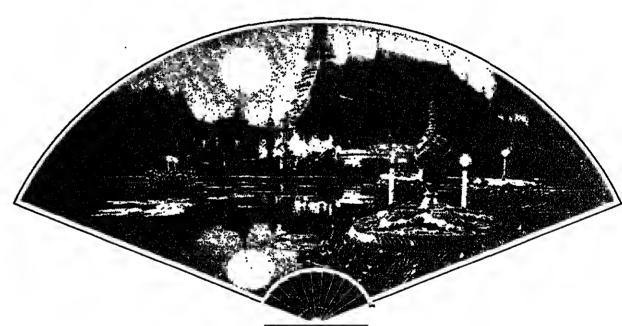
Two years ago Mr Lawson, I am sure, believed that he had Roger Martin-Fagg, The Management College,

Pension fund surpluses

From Mr Drew Lyburn. Sir, I rise to Mr Redman's delightful bait (Letters, August 26): "Surpluses arise because actuaries make incorrect guesses." Pension fund surpluses or deficiencies occur because assumptions have to be made about future experi-ence – mortality, withdrawal

and early retirement rates, real rates of investment return. Neither actuaries nor their clients are soothsayers; actual experience rarely exactly matches assumed experience; hence surpluses or deficiencies. Drew Lyburn, Institute of Actuaries, High Holborn, WC1

# How the legend lit the way.



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# From Mr Bryn Glover. Sir, David Mellor, the junior

Health business

Health Minister, is very keen to bring business management principles and commercial enterprise attitudes into the running of the UK national health service (NHS); in particular he stresses the importance of the financial independence

of the various district health anthorities (August 30). What he fails to make clear, however, is that the overall expenditure with the regions (made up of about 10-15 dis-tricts each) will still be sub-jected to the same "cash limit" control as at present. He or his superior will still wield the same overall control as now: the cake will be no larger, freedom to scrap over the size of the slices is his only change.
Further, he refers to the
Whitley Council system of payment as if it were an example of free collective bargaining as applied in most of UK industry. In 25 years of working for the NHS I have never known a time when staff pay was not determined by the Department of Health and imposed by the

Whitley Councils. It is not credible that, every year, every

one of the separate councils should independently arrive at precisely the same pay award. There never have been, as Mr Mellor implies, "national pay agreements" in the NHS. There has been national pay determination—quite different.

He is not liberating local managements, as he claims to

managements, as he claims to do. He is simply shifting the means of his control; again, regional cash limits (which he will set) will control local pay

agreements.

The important fact is that market force considerations are incompatible with his declared belief in a service free at the point of use and financed out of general taxation. The amount to be spent and the acompanyial indepent is not a commercial judgment ed upon what the market can stand, but a political judgment based upon need and pro-priety. His final assertion -that a "destbly hush" has settied over his opponents - could make sense only to people who have deliberately decided to ignore everything everyone else is saying. Bryn Glover,

14 Wensley View, Leeds, West Yorkshire

# Forex dealings service

bid for the contract to support the development and management of the FXnet foreign exchange dealing settlement

From Mr David Keefe.

Sir, Your report "Quotron sion with FXnet more than a wins forex order" (FT, August 15) misleads by implying that Reuters made an unsuccessful therefore, be said to have suffered a "surprise defeat" at the hands of Quotron. Reuters, 85 Floot Street, EC4



# FINANCIAL TIMES

Wednesday September 6 1989

Ireland's

farmers

dig in to

weed out

drug plant
By Kieran Cooke in Dublin

THE DANCING, singing and drinking went on until the early hours of yesterday morning down in the countryside of east Cork in Ireland.

Merrell Dow, the US pharmaceutical giant, had earlier annunced it was dropping plans to build an £50m (\$81m) plant in the area. Opponents of the wroicct were now celebrat-

the project were now celebrat-ing what they considered to be

Early last year the Irish cab-inet approved a generous grant toward the cost of the

project. Site work was due to be completed by the end of this year, but protests stopped anything being done. Local farmers had threatened to take drastic action if anyone moved on to the site. Some had hinted they would go on bunger

day into a nearby river posed no dangers to surrounding

More broadly, they attacked the whole idea of locating such

an industry in the heart of some of the country's best

farming land. Ireland's "clean

and green" image would be seriously damaged, they said.
An appeal against the local anthority's decision to allow the plant failed. A group of local farmers lost a case they took to the Dublin High Court.

Nevertheless, Merrell Dow has

Nevertheless, Merrell Dow has now pulled out of the project, but is not admitting that the protesters' pressure had forced it out of Ireland. In a brief statement the company said

that a recent merger with Kan-sas-based Marion Laboratories

meant that the tax advantages

offered by Ireland were no lon-

offered by Ireland were no longer so attractive.

There is no doubt, however, that Merrell Dow's withdrawal is a serious blow, not only to the US company's plans but also to the Government's industrial development stratically in recent years the VIA

egy. In recent years, the IDA has attracted many leading

pharmaceutical companies to Ireland. Hundreds of jobs have

A growing environmental lobby has attacked what it considers to be non-existent

government monitoring of the

chemical industry and what it

claims is increasing pollution in the Cork area. Dr Mary

Dunphy, a local GP, is con-cerned about high levels of asthma and other respiratory problems in the harbour area.

Mr Padraic White, head of the IDA, denies that Ireland's

environmental laws are being

are totally wrong, and I find both personally and profes-sionally offensive the idea that

there is some mythical pool of dirty industries looking for a home and we sort of go out the

back door and say 'Come on in here, we'll give you an easy ride.' That isn't the case at all."

circumvented by outside companies. "Many of these envi-ronmentalists' lobbies views

been created.

crops and dairy herds.



# Socialist big guns get behind Kok

Laura Raun follows the Netherlands' neck-and-neck race for power

IN A last-minute offensive to win the opportunity of leading the Netherlands into the 1990s, Mr Wim Kok, head of the Dutch opposition Labour Party, took to the streets yesterday to press the flesh with his British counterpart, Mr Neil Kinnock, at his side.

The two men waded through a mass of humanity at an Amsterdam open air market in a concerted hid to win votes in Mr Kok is in a neck-and-neck race to unseat Mr Ruud Lubbers and his Christian Demo-

crat-Liheral coalition Govern-Capping the short and intensive campaign was a television debate last night hetween the top five candidates. Today's vote will turn on the candi-

dates personalities as much as on political issues because of the relatively narrow differences in party programmes.
While the Socialist duo of Mr Kok and Mr Kinnock were handing out red roses to vot-ers. Mr Lubbers, who has stayed aloof from much of the campaign fray, was ensconced in his "little tower" of an office

in Parliament. Mr Kinnock was the last of a gaggle of European Socialists trotted out to bolster Mr Kok's stature and encourage a swing to the left after 10 years of con-servativism in the Netherlands and much of Western Europe. Mr Ingvar Carlsson, Sweden's Prime Minister, and Mr Hans-Jochen Vogel of West

Germany also have sppeared alongside Mr Kok.

Unctad hits

at reforms

applied

in LDCs



British Labour Party leader Neil Kinnock helps drum up election support for his Dutch counterpart Wim Kok (right) in an Amsterdam street market yesterday

ais teetering on the edge of losing their governing majority, with 75 of the 150 seats in Par-

In any case, the centrist Christian Democrats need to remain the largest party in parliament for Mr Lubbers to

parliament for Mr Lubbers to keep his job as Prime Minister. If he does, he is likely to try to rehuild the old coalition, which collapsed last May over a minor financing element of a major environment plan. Falling that, Mr Lubbers would turn to the Lahour Party, which desperately wants to return to power after nearly 12 years on the opposition

Only if the Socialists emerge as the biggest party would Mr Kok have a chance to become Public opinion polls show as the biggest party would Mr the centre-right coalition of Christian Democrats and Liber-Prime Minister. In recent days

both he and Mr Lubbers have sought to make the choice clearer than ever. Mr Lubbers has flatly refused to serve in a cahinet headed by his oppo-nent, and even the tranquil Mr Kok has threatened to boycott any cabinet headed by Mr Lub-

While the environment has been the most important issue it will not be the most decisive in today's vote. If last week's question-and-answer session with the candidates was any indication, then money matters will be foremost in voters'

Deteriorating incomes of teachers, nurses and the elderly was a recurrent theme. So was crime in the streets, education and health care. Mr Lubbers is promising to

start sharing out the fruits of seven years of austerity poli-cies but warns that Labour would go too far in this direc-tion. If Mr Kok takes over the "little tower" then taxes would soar and government money would be spent before it was earned, he warns.

The ever-popular Prime Min-ster has also reminded voters that his no-nonsense policies have yielded healthy economic growth, low inflation and record employment.

Voter turnout is forecast to be average for general elec-tions (81-88 per cent) and the weather dry and sunny. Histor-ically speaking, the higher the turnout the better Labour does, so Mr Kok is undoubtedly hoping the weatherman is

# Polish Communists likely to accept secondary Cabinet role

By Christopher Bobinski in Warsaw

By William Dullforce in Geneva

A DEVASTATING assessment of the effect of the structural adjustment programmes under-taken by the world's poorest countries is included in the 1989 report of the United Nations Conference on Trade and Development (Unctad).

The lack of consistency between the programmes, car-ried out in collaboration with the International Monetary Fund, the World Bank and regional development hanks, and the countries' economic performance leaves open the question of the adequacy of these programmes, writes Mr Kenneth Dadzie, Sec-retary-General of Unctad. The agency is the prime UN

organisation focusing on the economic interests of the Third

As they are now applied, the programmes may effect unde-sired results, especially high social costs and a weakening of countries' ability to achieve long-term development, he

The UN categorises 42. mostly African, countries, with a combined population of 340m, as "least developed" countries (LDCs) on the basis of small per capita income, low literacy rates and tiny contributious from manufacturing to their gross domestic products. The number increased by nine last

year. Mr Dadzie's diplomaticallyphrased criticism of the reform programmes the countries have been induced to adopt is given sharper relief in the Unc-tad report in detailed reviews of seven countries - Bangla-desh, Lesotho, Malawi, Nepal, Niger, Sudan and Tanzania. Among the conclusions drawn

 adjustment has too often focused on demand restraint action that has left already poor economies operating at even lower levels of output; • currency devaluation, a common feature of the programmes, appears to have had little effect on exports.

• the emphasis on redirecting resources from public bodies to private entrepreneurs is ques-Details and analysis, Page 6

THE FORMATION of Poland's

coalition government appeared almost complete yesterday with the Communists likely to play a secondary role.

Responsibility for the country's formidable economic

problems will rest squarely on Solidarity's shoulders under a deal which Mr Tadeusz Mazowiecki, the Prime Minister, bopes to present to Solidarity's parliamentary group tomorrow.

The Communists are expected to add the Transport portfolio and a deputy premiership to the Defence and Interior Ministries already agreed. They may also take the For-eign Trade Ministry and the government planning office. Mr Jacek Kuron, a veteran dissident and founder in the 1970s of the Workers' Defence Committee (KOR), told parliamentary colleagues he had agreed to become the Labour

He faces a daunting task,

confronted by workers dismayed at fast-rising prices and still-empty shops. Management of the economy

is likely to go to Solidarity's free market wing which, espe-cially in the last couple of years, has urged privatisation and economic liberalisation. An important figure in the economic battle will be Mr Leszek Balcerowicz, a 42-year-old scademic from Warsaw who will will combine the

of the deputy premier responsible for the economy.

He will be supported by Mr Waldemar Kuczynski, another academic of similarly liberal inclinations, who has spent the last six years working in a

Finance Ministry with the post

French research institute. The Peasants' Party (ZSL) is expected to get the Farming

post. Parliamentary committees are hoping to conduct hearings on Friday when it is expected that the final government make up will be officially announced.

Yesterday, Mr Zbigniew Romaszewski, a Solidarity senator, complained about the way in which Mr Mazowiecki has gone about putting together his Cabinet.

"We are in the situation Communist Party deputies were in a few years ago when decisions were taken for them and they had no choice other than to vote in favour," he said.

As work on the government continued, General Wojciech Jaruzelski, Poland's President, appointed new military commanders in all three of the country's military districts, the air force and the chief quarter-

Rarely have such changes been made all at once. They bring younger men to the fore, leaving in place key figures such as the army's chief of staff and the head of the mili-

# Japanese warn buyouts impair **US** long-term competitiveness

By Robert Thomson in Tokyo

JAPANESE trade negotiators yesterday raised serious doubts about the impact of leveraged buyouts and other acquisitions on the long-term competitive-ness of US companies.

Their comments came on the final day of the first round of Structural Impediments Initiative (SII) talks in Tokyo. The discussions have the aim of prompting both countries to make significant policy changes to encourage trade, although Japanese officials, in particular, have been sceptical about the worth of the pro-

gramme.
After spending Monday listening to US complaints, Japanese representatives yesterday delivered their own lists of areas to be examined for possi-ble reform. They hegan with a criticism of low US savings levels and a warning that a lack of investment by US industry has encouraged the flow of imports into the US. The Jepanese delegates also criticised the "short-term" out-

**WORLD WEATHER** 

look of some US companies and raised donbts about the wisdom of leveraged buyouts and predstory market practices, which one trade official said encouraged companies "to regard short-term profit as most important" and could

ward economic movement." There were also Japanese concerns about US restrictions on foreign involvement in its domestic transport industry, and import relief programmes that "make US companies less competitive.

weaken resistance to a down-

Anti-trust laws, the poor training of workers, and US companies attitude to exporting were also cited as possible structural impediments. A Japanese official said the

meeting's mood was "quite positive" though he feared the US. while officially regarding the talks as a vehicle for change in both countries, was determined to force changes in Japan without being prepared to consider significant adjust-

ments itself. "They accept that these things are problems, but then they tell us that new policies are already in place.' Under the schedule for the talks - to be held every two months - an interim state-ment will be produced next spring and a final report a few

months later.
Mr Richard McCormack, Under-Secretary of State for Economic Affairs, said the inspiration for the talks was a \$50hn-plus bilateral trade defi-

He said the basic theme of US arguments is that "the ordinary Japanese consumer ought to have a better shake." Conscious that some Japanese argue that their economic sys-tem is not suitable for judg-ment hy US standards, Mr McCormack said there was nothing unique about the dis-tribution system, which is "like that of the US in the 1920s," when "mom and pop stores" had an important but

# German economy soars

Continued from Page 1

stant prices, exports of goods and services advanced by 15 per cent compared with 10 per cent in the first quarter, with a 14 per cent increase in indus-trial equipment spending against 7 per cent in the previ-ous three months.

ous three months.

The second quarter GNP level showed a 0.5 per cent dip, however, on the first quarter which benefited from a surge in construction spending stim-ulated hy mild weather. Building investment in the first three months was 12 per cent

above the same period of 1988, tailing off to e rise of just over 5 per cent in the second quar-

A large push for this year's GNP has come from the rise in income from ahroad. In the second quarter, foreign income soared by 28 per cent. This accounted for the slightly lower growth rate of 4.4 per cent in gross domestic product, which excludes outside income, compared with the 4.9

Trading halted Continued from Page 1

tle, treasurer of the Commod-ity Credit Corporation (CCC), said that between \$700m and \$900m of the Atlanta credits were guaranteed by the CCC. Mr Little said CCC inspec-tors were working in Atlanta alongside officials of the FBI, the Federal Reserve, the Atlanta district attorney's Atlanta district attorney's office and inspectors from the Italian central bank.

The Italian central bank is particularly concerned about whether the CCC guarantees would remain valid should the Atlanta loans prove to be in any way fraudulent.

# LIXCOLUNX A new term for the dollar

The end of the summer holiday season seems to have coincided with an end to the recent calm in the world's foreign exchange markets. As if on one, the dollar celebrated the return to work of America's foreign exchange traders with a fresh spurt, taking it to its highest level in two months. Although this will undoubtedly focus attention on the rather sensi-tive issue of how far central banks are prepared to go to curb the dollar's climb, the really worrying aspect for the UK is that the dollar's latest surge is disguising a fresh bout of sterling weakness.

For the moment, the domestic of the domestic of

ing what they considered to be their victory.

It's a wonderful day not just for us, but for the future of Ireland," said a farmer at the forefront of the anti-Merrell Dow campaign.

Merrell Dow, a subsidiary of the Dow chemical group, with annual sales of \$17bn (a figure roughly contystent to the total tic financial markets are reacting surprisingly calmly. Admittedly, the Bank of England has been keeping short rates tight for a few weeks now, but 3-month money rates have hardly budged above 14 percent, and the equity market continues to be mesmarised by Wall Street's latest tune. Bither the UK share prices have discounted a lot of had economic news, or they are choosing to ignore it, and the latter looks the more likely explanation of the two. Sterling's trade weighted index has fallen another 2.6 per cent tic financial markets are react roughly equivalent to the total value of Ireland's annual exports), had originally announced its intention to build a drug production plant at Killeagh, in the east Cork countryside, in late 1987. The Irish Government, through the Industrial Development Anthority, the state body responsible for promo-ting inward investment, had fought hard to lure Merrell Dow to Ireland. The plant would provide badly needed jobs, and officials said the fallen another 2.6 per cent since the last bont of sterling weakness forced a hike in UK company had a good environ-mental record. base rates in late May, and at 90.7 is only 1 per cent above its

year's low. Sterling is getting close to the sort of levels which might be expected to precipitate some sort of policy response, and the longer it is allowed to slide the greater the worry that the authorities have quietly aban-doned their firm exchange rate policy because the pain is too

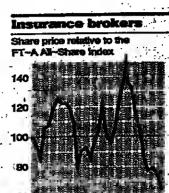
Sedgwick

strike.

Those opposed to the plant accused both the company and the Government of being less than frank about the details and potential dangers. They were concerned about the effect of wastes to be incinerated at the plant: they strongly disputed assurances that the disposal of 100,000 gallons of treated waste per day into a nearby river posed Sedgwick, and insurance brokers, will never again be what they were in the high-margin, go-go 1970s. Up to a point, the stock market has taken the point; but unrealistic expectations remain about what Sedgwick can achieve amid insurance markets. flooded with excess capacity. In spite of the sector's dismal. share price underperformance, Sedgwick's shares still look

notably overvalued.

There was some good news in yesterday's interims. True, the modest pre-tax profits increase to £64.8m, against a background of soft insurance markets everywhere, was a matter of a stronger US dollar, better investment income, and pleasant surprises in peripheral businesses. But in Sedg-wick's real innards, its reinsur-ance arm E.W. Payne has



tate decline in revenues since 1986; and expenses containment there and in the Fred S. James US retail broking business shows how determined the group's new management

Even assuming though that Sedgwick grows 1989's full-year pre-tax profits 9 per cent to £85m, its shares are selling at 20 times current earnings. By 20 times current earnings. By contrast its bigger and stronger rival Marsh & McLennan is rated on Wall Street at a p/e of only 17. Some investors may be clinging to the idea of a bid triggered by Transamerica's 39 per cent stake in Sedgwick. But the likelihood is that the market is vainly expecting a sudden upswing in insurance pricing next year; and that pricing next year; and that investors have not grasped that the days when Sedgwick's operating margins were 20 per cent are gone forever.

given how long it has taken Mr Ashcroft to mend his fences with the City, he is unlikely to risk breaking them again. Instead, the motive for the issue seems to lie with Laid-law From the start, it was pos-sible that the two companies would join up one day but

last enjoys a multiple of more or less what its basic husi-nesses deserve, but given the seriousness of Laklaw's inter-est it is surprising that the shares have not gone even fur-ther to become something of a hid favourite.

Brent Walker

Brent Walker's acquisition of GrandMet's betting shops is the conventional fund manger's nightmare. The price is about £100m more than expected, and the vehicle is the kind market may be growing st about 20 per cent or more a year, but then that kind of growth seems to have been aken care of in the price.

ing company and is in the habit of making money out of nearly everything it does, but the 8 per cent fall in the share price in the last two days expresses a well placed degree of caution. GrandMet is a master above to the last two days expresses as a manufacture of the second the seco ter dealmaker too- and the 9p rise in its shares yesterday seems to identity the winner correctly.

The new-look ADT does not need more money, and so its decision to raise \$424m is a bit strange. By the end of the year the company should have \$650m cash with apparently only vagnish plans to add to its auctions and security businesses bit by hit. Some might fear a hig and complex acquisition must be on the way, but

would join up one day, but Laidlaw seems to be forcing the pace by following its £210m investment of last spring with another £130m so soon. Shareholders may be left puzzled, but cannot be aggrieved; the company is raising equity at the market price, and is even paying lip-service to pre-emp-tion rights for once. ADT at

of off-balance sheet job the market finds it hard to understand and even harder to love. While Brent Walker knows a hit more about betting shops than it did about spirits, it is going to be competing with some formidable old hands like Ladbroke. The off-track betting

taken care of in the price.

But as usual with Brent Walker, the deal should perhaps not be assessed in terms of such mundane things as earnings—which in this case seem roughly unchanged initially. Brent Walker is a traditive company, and is in the

If IMI has any value as a barometer of the condition of UK manufacturing industry, then the outlook is not as bleak as the economic statis-tics suggest. It is a company which has not been disrupted by mammoth asset sales or purchases, so a 21 per cent rise in first half earnings and dividend is a surprisingly high reading for what is supposedly one of the more vulnerable parts of the economy. High interest rates are not threatening capital investment plans, the strength of the German economy is more important than the weakness of the UK. and if it is forced to concede UK wage increases of 9 per cent plus then more jobs will go. If IMT's transformation over the last few years is typical of many Midlands manufacturers, then the Government need not worry unduly about the impact of any recession on the country's manufacturing base.

# Olliff & Partners P.L.C.

formed just over two years ago, has acted in corporate finance transactions valued at in excess of £1.25bn.

Recent transactions have included:

 Renaissance Holdings PLC - a rights issue raising £5.6m in 8½%
 Convertible Unsecured Loan Stock - fully underwritten as principal by Olliff & Partners, taken up as to 74% by existing shareholders with the balance sold in the market to institutions ar

 Meldrum Investment Trust PLC - reorganised to form Gartmore Value Investments p.l.c. Value £61m - Olliff & Partners acted as stockbroker to the reorganisation

 The City of Oxford Investment Trust PLC - reorganised as a split capital investment trust. Value £20.5m - Olliff & Partners acted as stockbroker to the reorganisation

• Romney Trust plc and Raeburn Investment Trust plc - reorganised into seven off-sbore funds forming Lazard Select Investment Trust Limited. Value £260m - Olliff & Partners acted as stockbroker to the reorganisation

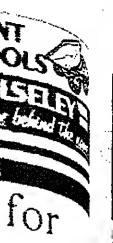
• The New Zealand Investment Trust plc - flotation by Olliff & Partners by way of placing raising £10m

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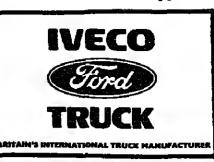
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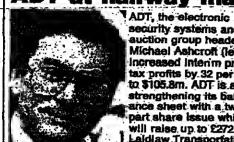
# **FINANCIAL TIMES** COMPANIES & MARKETS

Wednesday September 6 1989



INSIDE

Strong showing for **ADT** at halfway mark



security systems and car auction group headed by Michael Ashcroft (left), increased interim pretax profits by 32 per cent to \$105.8m. ADT is also strengthening its bal-ance sheet with a twopart share Issue which will raise up to £272m.

school bus and waste management company, is subscribing for half the total to raise its stake in ADT's ordinary ahares from 24 per cent to 28 par cent, while the other shares will be offered to ADT's non-North American share-holders in the first such issue since the former Hawley Group moved its domicifa to Bermuda at the end of 1984. Clay Harris reports. Page 28

Fair wind for shipbuilders

Three years ago, Japanese shipbuilders were not thinking of profits. Taking on water after the appreciation of the yen in a glutted global. market, thair minds were concentrated on survival. But in the past year order books have fil-led and the cut-throat, cut-price competition with South Korean builders has been replaced by a cosier relationship — and this year profits are expected after a decade of losses. Page 24

Cleaning up in London



The increasing use of private service companles in the public sector under the UK'a privatise tion policy has not gona unnoticed by ISS, the tional cleaning and building maintenance

group.. "The UK la one of our most exciting markets," says Mr Poul Andreassen, the company's chief executive for the past 27 years. So, London was a natural choice for ISS's first stock market listing outside Copenhagen. Tha mova comes as part of the company'a attempt to raise finance for further growth. Page 23

Evolution stirs in milking pariour In Mrs Thatcher's Britain, the milk marketing system looks like a dinosaur. Born at a tima when the country's dairy farmers were suffering from a severe farm recession and were in need of protection against much stronger dairy companies, it has lately come under pressure - from both discontented borne producers and European Community competitors. Above all, it its uneasily with the forthcoming single European markat. But, although there is talk of reform, it is far from Clear what route this might take. Bridget Bloom reports. Page 32

Waking up in land of the glants

The tiny Jakarta stock exchange is finding out small is beautiful, as it swaps its sleepy Image to become Asian flavour of the month. Foraign buyers are helping the exchange reach record levels and a new company is being listed . . every two weeks, John Murray Brown reports on the transformation of an exchange which still closes early for Friday prayers. Page 52

Market Statistics

Base lending rates Benchmark Govt boods European options exch FT-A world indices FT int bond service inancial futures

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World stock mkt indices
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638 + 17 Fella 377 + 15 Fichet 605.5 + 122 388.2 + 17.2 SEB TOKYO (Yes) 1275 -497.5 + 31.3

Chief price changes yesterday

LOMPON (Pance) 199 -507 152 **Brent Walker** buys GrandMet betting shops

By Lies Wood in London

GRAND METROPOLITAN yesterday sold its Mecca and William Hill betting shops to Brent

Walker, the leisure and property group, in a cash deal worth about 2685m (\$1,075m).

The share price of the heavily indebted UK brewing and retailing group rose by 9p to 657p on the widely-expected announcement. But Brent Walker's shares fell by 6n to 380. fell by 6p to 98p.

Brent Walker, which has

financed the deal in a complex off-balance sheet arrangement with a syndicate of banks, also with a syndicate of banks, also announced that it was selling 90 per cent of its Whyte and Mackay whisky company to a management buy-out team led by Murray Johnstoce, the Scottish fund management group. This disposal, and that of four French vineyards, is expected to raise about £220m. Brent Walker paid Lourho, the international trading Lourho, the international trading group, £180m for the whisky com-pany and the vineyards last November.

The sale of its Goldcrest film company to a management buy-out team, for about £90m, is also expected to be announced shortly by Brent Walker. The acquisition of the 1,500 bet-

ting shops makes Brent Walker the second largest bookmaker in the UK after Ladbroke.

Brent Walker, which already owns 119 outlets, will sell about 36 outlets to comply with guide-lines provided by the Monopolies and Mergers Commission, which investigated the £331m acquisition last December of William Hill by GrandMet, and set limits on the concentration of outlets. Profits of William Hill and

Mecca are expected to be at least £55m for the year ended September 30. This is in respect of Mecca for the full year and for the 9% months that GrandMet bas months that Grandmer has owned William Hill. The purchase price will be reduced if profits fall below £51m.

The acquisition will be made by a new company, to be called William Hill Group. Its ordinary share capital will be owned by

the participating banks but will be controlled by Brent Walker. Brent Walker will subscribe initially for about £245m of William Hill Group convertible loan stock and the banks will make available to the company a five-year loan facility of £350m. Brent Walker will subscribe for a fur-

stock in 12 months. The convertible loan stock subscribed to by Brent Walker will be convertible into ordinary shares of William Hill at any time after the second anniversary

ther £50m of convertible loan

of completion of the acquisition. GrandMet, which earlier this year paid \$5.7bm for Pillsbury, the US food group, said that after a review of international betting opportunities it had decided to concentrate on its international retailing businesses in food, drinks and eyecare. Separate negotiations are proceeding for the sale of its betting shops in Ireland and Belgium.

# **CRA** rises despite Bougainville troubles

By Chris Sherwell in Sydney

CRA, the Australian resources group which is 49 per cent owned by ETZ Corporation of the UK, boosted interim earnings by more than a third, helped by increased production and higher prices for iron ore, zinc and dia-

But as the company was profits of A\$311.9m (US\$238m) for the six months to June, up from A\$227.6m, further trouble developed at Bougainville Copper, its 53 per cent held mine in Papua New Guinea.

An attempt yesterday to restart operations, halted since mid-May, was abandoned after gunshots were fired at buses car-

. The attack was presumed to have been the work of landown-

ers who want the mine shut for ever. No one was injured, but Bongainville, describing itself as "profoundly distressed," said it had "immediately ceased production operations until further Lost output since mid-May

amounts to almost 200,000 worth US\$200m, and CRA
acknowledged yesterday that
Bougainville Copper would not
make a significant contribution
to its profit in the second half.
None the less, CRA added that

its own diversity and the reduced threat of international recession meant group profits "should continue to be satisfac-

Results, Page 34; Bougainville shutdown, Page 42

nstitutional investors, the big insurance and pension funds who are potentially the nation's most powerful shareholders, are normally content to play the role of *éminence grise* in the affairs of the companies whose shares they control.

But at times, often when they are faced with a decision on which side to favour in a takeover bid, they must make decisions which can have a long-term impact, not only on the value of the assets of the investors whose savings they are managing, but also on the industrial structure of

ers in Plessey will make at the end of this week on whether or not to accept the takeover bid from GEC-Siemens is such an event. For the ootcome of the £2bn GEC-Siemens/Plessey bid will have profound repercussions for the future of the defence and telecommunications industries in the UK if not in Europe as a

These events have raised once again the question of how the institutional investors make their decisions. Are they, in an era of financial innovation in the mergers and acquisitions market giving greater weight to different factors in making their decisions and is the role of institutional

and is the role of institutional investors changing?

Like all shareholders institutions are motivated by self-interest. They also have fiduciary responsibilities to their customers, the savers whose funds they manage, but they have considerable discretion in balancing these responsibilities. They must decide, for example, whether to accept a cash bid and realise profits today or stick with a take-

Many institutional investment fund managers are vocal, even garrulous, on these matters -but only if their comments they are usually reluctant to be seen putting themselves in the the bid tactics.

Some see themselves as being torn between pragmatism, on the one hand, and principle on the other. "There would be no point sounding forth publicly on a philanthropic note, only to find ourselves hoist hy our own princi-pled petard when in the midst of

the nation.

The decision the big sharehold-

whole.

Moreover, it comes at a time when questions about how the institutions are wielding their considerable powers are once again being raised.

Recent hid battles have provided several examples of fund managers taking centre stage in the hope that their publicly voiced opinions could change the voiced opinions could change the course of events.

Some institutional investors have for example, criticised the management buy-out at Magnet, the kitchen furniture and do-it-yourself equipment company, condemned the Boots bid for retailer Ward White and lambated him to confidential for basted Sir James Goldsmith for his assault on BAT Industries.

profits today or stick with a take-over target on the grounds that in the long term it will be a bet-ter investment.

amid the heat of a hid battle, for position of publicly influencing



# Days of decision for institutional investors

David Waller examines the rapidly changing role of Britain's most powerful shareholders

another bid situation," said one investment manager yesterday. How they see their responsibilities depends, to a great extent on the nature of the investment fund. At one extreme, there are the index-linked funds whosa goal is to mirror the performance of broad stock market indices. They say they take no decisions whatsoever during the course of a bid, only casting their computerised vote when the outcome is

Then there are the aggressively managed funds for which sbort-term performance is all, and wider issues of national interest or the long-term prospects of a company are of no con-

And beyond this there is the great mass fund managers whose investment priorities will often differ according to the needs of

Pension funds, which pay no taxes, are on the whole, inclined towards the short-to-medium term view of their responsibilities. Insurance companies - for whom cash bids are an abhorrence because they are then forced to pay tax on any capital ing a longer-term view. But even long-term investors cannot ignore short-term financial considerations.

There is always a price at which it would be absurd not to accept a bid, irrespective of the industrial logic behind it," acknowledged one fund manager. "But," he added referring specifi-cally to the GEC-Siemens bid for Plessey, "in this case, as in most others, the price is not compelone of the multitude of factors that must be weighed up when it comes to making a decision. One has to look at the management on both sides, and at their respec-tive strategies. One has to come to a fundamental view about the industries in which the two companies are major players."
Contacts between the City and

industry have grown over recent years and formal presentations from senior management to insti-tutions may take place as often as four times a year. In the midst of a takeover situation, the con-tacts grow more frequent.

Today, for example, Lord Weinstock at GEC and Mr Stephen Walls, his counterpart at Plessey, will both probably make four or five last minute presentations to key institutions, lasting perhaps an hour apiece.

Fund managers who have already heard many of the argue-ments - Plessey has been under siege by GEC-Siemens for well over a year - still appear divided. Some feel that GEC's offer - while parsimonious in the extreme at 270p a share - is forces much greater than the men involved. ("With hindsight, wben Weinstock and Sir John Clark [chairman of Plessey and Lord Weinstock's old enemy] are forgotten, the rationalisation of the industry will seem inevitable.") Others balance instability at the top of Plessey and Mr Wall's relative inexperience with Lord Weinstock's unimaginative mangement style. In the end, it is all rather snb-

jective," lamented one institution. "Part of our problem is that our marketing departments build us up into creatures of fantastical prescience, on everything from the state of the world economy and currency markets to the details of who is running the best industrial company in the elec-tronics sector. Our real expertise is in buying and selling bits of paper and sometimes I feel over-awed by the stature we are sup-posed to have."

When this particular fund manager meets senior manage-ment, he say, his main object is to make sure that be does not ask too many daft questions. It is a view which, by implication, suggests that society should not expect the institutional investor to view his public responsibilities as a shareholder too ambitiously. Not surprisingly this investment manager says of the dilemma presented by Sir James's Gold-smith's £13.5bn bid for the tobacco to financial services con-glomerate BAT: "It would be belpful if it would fail for legal or financing reasons." That would financing reasons. That would give us a very good excuse for continuing to sit on the fence."

"In principle, we will give management the benefit of the doubt," said Mr Andrew Threadgold of Postel. "They have to be allowed the scope to fail, and while we will make our views clear in private, we will not inter-vene publicly. On a range of issues that impinge on us directly - such as pre-emption right, split share structures and the like - we can and do intervene regularly."

# Bouygues chairman steps down as group bids for rest of Screg

By George Greham in Paris

MR FRANCIS BOUYGUES is stepping down from the chair-manship of the company ha founded 37 years ago and built into one of the world's largest construction and civil engineer-

ing groups.

Mr Bouygues, who will remain a board member of Bouygues, will hand over to his youngest son, Martin, who became vicechairman a year ago and has in recent years occupied the posi-tion of heir apparent. Now aged 66, Mr Bonygues Snr is thought to have been in ill health for

some time.

Maan while, the group amounced yesterday that it was launching a paper hid, with cash option, for the 18.25 per cent it does not already own in Screg, the road building concern it took control of in 1986.

Bouygues is offering seven of its own shares for four of Screg's; the cash option of FFr1200 a share values Screg at FFr4.69bn (\$703m).

Screg's board unanimonsly approved the offer, saying that the increase in Bouygues's stake would help the company's future

The huy-out of the minorities in Screg is for Mr Bouygues the capstons to a career which has been more marked by his constructions than by stock market manoeuvres.

From the stadium of Tehran to the new grand mosque of Casahlanca, the group has undertaken many of the most spectacular construction projects in the Mid-

ists would say scarred - the face of the country with constructions such as the bridge linking the Ile de Ré to the mainland or the Grande Arche de la Défense, site of the recent summit meeting of the seven leading industrialised

Mr Bouygues founded the com-pany in 1952, with 10 employees. Last year, the group numbered 60,500 employees, and made prof-its of FFr519m on sales of FFr45bn.

Besides construction, Bouygues has diversified into such fields as television — it became the controlling shareholder in France's leading channel, TF1, on its privatisation in June 1987 and water treatment - it has recently moved into the UK, where it has taken control of a

# In France, Bonygues has marked - some environmental- number of water companies. Swiss Life acquires UK mutual

SWISS LIFE, the largest Swiss life insurance company, is to acquire Pioneer Mutual Insurance of Liverpool in a deal which highlights the continuing shakeout in the European insurance

Swiss Life said the acquisition was intended to strengthen its position in the UK and the EC ahead of the creation of the single market in 1992. Mr Christo-pher Ide, the company's UK gen-eral manager, said: "We see the UK as a marketing centre for Europe when 1992 comes along." Since Pioneer is a mutual, it will have to seek approval from its half million members as well as the courts to change its status. Three-quarters of voting mem-bers will have to give their support. But Mr Tony Barnes, the managing director, said he expec-ted the deal to go through by.

Swiss Life, which is based in Zurich, has worldwide funds under management of £12bn (\$18.8bn) and annual income of more than £3bn. It has been in the UK, where it specialises in group life and pensions and manages funds of £196m, since 1967.

Pioneer is a 150-year-old company specialising in personal life and pensions business. Its managed funds amount to £148m. The value of the deal will be agreed by independent actuaries appointed by Swiss Life and Pio-

The prices of mutual insurance companies are notoriously hard to assess because they depend on the balance of the existing business, and the future value of pension and life business already written. The only recent precedent was the £14m bid by Britannia Building Society for FS Assurance, a small Glasgowbased mutual life assurance company, now subject to a counter-bid by Templeton, the Bahamas fund management group. Mr Barnes said his company had been seeking a partner for a

year to help it grow. If the deal goes through, Swiss Life will incorporate in the UK. It also pledged yesterday to preserve the separation between its own sales operations, which uses independent intermediaries, and

Pioneer's direct sales force of 400. The acquisition is the latest in series of deals on the European insurance scene as companies jockey for position in the proposed single market. Although Switzerland has negotiated a special arrangement with the EC for the free movement of insurance services, Swiss companies are keen to incorporate in EC mem-ber states to gain the full benefits of the single market.

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# WEST **MIDLANDS**

The Financial Times proposes to publish this survey on:

> 18th October 1989

For a full editorial synopsis and advertisement details, please contact either:

Paul M. Jefferis or Anthony G. Hayes оп 021-454-0922

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**IPG FINANCIAL TIMES** 

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principal amount of Notes. CHASE By: The Chase Manhattan Bank, N.A. London, Agent Bank



# Notes Due 1991 For the 6 months period 5th September, 1989 to 5th March, 1990 the Notes bear the interest rate at 3.02528% per rannum. JP¥ 30,253 will be payable from 5th March, 1990 per JP¥ 1,000,000 principal amount of Notes. maichi International Europe) Limited, Agent Bank

#### By David Owen in Toronto and Kenneth Gooding in London exercising an option to acquire a further 20 per cent of BIG from Mr Bond's family holding company, Dallhold Invest-ments, for US\$8.25 a share. When Mr Bond floated nearly half of BIG on the New York stock exchange in August CORONA Corporation, tha Canadian group, has called off negotiations to take control of Bond International Gold, the US company which encom-passes most of the gold mining interests of embattled Australian entrepreneur Mr Alan

Corona quits talks with

**Bond over BIG control** 

INTERNATIONAL COMPANIES AND FINANCE

Moreover, Corona has exercised an option to sell its 7 per cent stake in BIG to another company in Mr Bond's empire, Bell Resources.

Andersen

with PW

By David Waller

discussions

progressing

ARTHUR ANDERSEN and

ARTHUR ANDERSEN and Price Waterhouse, two of the world's largest accountancy firms which two months ago went into merger talks, broke their silence yesterday to say that discussions were progressing but that no firm conclusions had been reached as yet.

A joint statement from Mr. Lespin E Company — chairman

Joseph E Connor – chairman of the Price Waterhouse inter-

of the Price waternouse inter-national firm and Mr Lawrence Weinbach — chief executive of Andersen — said simply that the initial period of discussion

had been beneficial. Talks would continue "mtil all perti-nent issues have been thor-oughly explored and definitive

conclusions reached". Given the fact that the PW/ Andersen combination will be

far the most sizeable profes-sional services firm in the world, there has been immense

interest in the accountancy profession and the business

world at large as to the out-come the talks.

Moreover, the firms are per-ceived to have two very dis-

tient business cultures which are not necessarily compatible

with one another. Also, ten-

sions between Andersen's audit business and its fast-

growing consultancy arm could have scnppered the merger, competitors have said.

Yesterday's statement — on which neither firm would arrend — did nothing to

expand - did nothing to answer these questions. It said

that partners around the world

were participating in task

forces which were "exchanging and analysing information on a

wide variety of global business

If the merger goes ahead, combined fee income will amount to more than \$5bn. In

second place will be KPMG, with fee income of \$4.17bn after it was joined by Canada's largest firm last month.

Benetton steps

By John Wyles in Rome

**FTALIAN-MADE** shoes bearing

the Benetton label will make their debut in the US and Canada next spring following the creation of a joint production and distribution company by the Italian clothing manufacturer with Marubeni of Japan and Sports Incorporated of the

and Sports Incorporated of the US.

The new company, which is to be called Benetton Shoes

Corporation, will have its nead

quarters in Portland Oregon.

The operation will be supplied by Calzaturificio di Varese, the shoe manufacturing company in which Benetton holds a 60

The first products to be mar-keted will be a range of female

footwear which, unlike Benet-ton clothing that is exclusively

merchandised through 5,000 eponymous retail ontlets worldwide, will be available in

department stores and speci-alised shoe shops.

per cent stake.

into the US

reach an amicable and mutually acceptable price agreement on purchase of control, Corona decided to eliminate its position," the Canadian company said.

It also said it will not be

York stock exchange in August last year — for a total of US308m, making it the biggest gold company flotation ever—the shares were priced at \$11.50 each. Corona will sell its 3.97m BIG shares and 793,651 war "After not being able to reach an amicable and muturants for US\$7.25 a share and \$1 a warrant, or close to \$30m

plus carrying costs.
Last month, the Suprema
Court of Canada awarded
Corona ownership of the PageWilliams mine in northern Ontario, the country's largest

gold mine and one expected this year to produce nearly 500,000 ounces of gold at a cost of less than US\$200 per ounce. However, the court also ordered that C\$200m (US\$178m) be paid to the losing litigant, Lac Minerals. The mine has C\$80m in an escrow account which indicates that Corons and its partner, the Teck Cor-poration, will have to find

Meanwhile, BIG recently agreed to sell half its stake (11 per cent) in Gold Mines of Kalgoorlie in Western Australia and to pass management control to Poseiden. It also said it had arranged a gold loan for up to 215,000 ounces or US\$80m, whichever is the less.

# Heinz has strong first quarter

By Roderick Oram in New York

HEINZ has reported a further rise in fiscal first quarter prof-its with increased sales volume and prices on a number of products setting the pace for the US group's 25th consecutive year of earnings growth. Net profits were up 15 per cent at \$126.5m or 95 cents a share for the three months ended Angust 2 from \$110.1m or 84 cents a year earlier. Reve-nnes rose 5.3 per cent to \$1.45bn from \$1.38bn. "The outstanding perfor-mance of our major brands

should enabla us to achieve full-year results which will continue our trend of fiscal growth," said Mr Tony O'Reilly, chairman. Sales volume grew 5.7 per cent in the quarter with ketchup, Ore-Ida frozen pota-toes and Star-Kist tuna show-

Volume growth plus price creases in institutional sales of ketchup, corn products and beans in the UK "more than offset the unfavourable effect of foreign exchange rates and lower tuna selling prices," the

company said.
With Heinz deriving some 40 per cent of its income from out-side the US, analysts are con-

cerned that the currency trans-lation effect of the strong dollar will drag down its earnings this year. But on the positive side,

Heinz is benefiting from lower costs in tomatoes and potatoes and volume increases are ing particularly strong healthy across a wide range of

Moreover, the company, already a low-cost producer, is spending heavily to improve efficiency in its manufacturing

Analysts are forecasting full fiscal year net profits of around \$3.75 a share, up from

# Australian Cement bid raised

**GOLIATH Cement of Australia** has accepted a raised A\$2.10 per share bld by Australian Cement (ACL), jointly owned by CSR and Pioneer International, Reuter reports from

Sydney.
ACL, which holds around 40 per cent of its target, said it had agreed to raise its bid fol-lowing talks with Goliath. Goli-ath said it recommended shareholders accept the raised offer, which was unconditional.

By Our Financial Staff

OCCIDENTAL Petroleum, the

diversified US energy group, is to restructure its domestic oil

and gas operations to improve

efficiency and performance. Occidental said the organisa-

occidental said the organisa-tional changes, at Occidental Oil and Gas, will result in a reduction of about 900 employ-ess, and the cost savings from the restructuring and other related changes will be around

\$100m a year.

Occidental Petroleum

to reshape operations

The changes, details of ment," said Mr David I which are to be announced chel, chief executive officier, will significantly affect Occidental Oil and Gas.

ACL previously offered A\$1.85 a share for up to 50 per cent of Goliath, rising to A\$2 if its stake reached 50.1 per cent. The new offer will close on October 6. Goliath would continue to

operate as a separate company if the bid is successful, ACL

Australasian mining and for-estry group, is restructuring its

the unit's Tulsa Oklahoma,

headquarters, and will also have an impact on all major

offices of the company, Occi-

gas operations while at the

improve capital programmes

Elders Resources NZFP, the

Engineers of the US. Elders Resources and ICF would then create Kaiser Engineers International as a joint venture to be based in Hong Kong. No financial details were given. Elders Resources bought

holding in the Kaiser Engi-neers group. It said it would sell half of its Kaiser Engineers

Australia unit to ICF Kaiser

the US-based Kaiser Engineer Group from a consortium of banks in June 1988.

Better margins lift Tradegro profits by 36%

By Jim Jones in Johannesburg

TRADEGRO, the South African retail and wholesale group, lifted sales 17.2 per cent in the year to June and pre-tax profit 36.5 per cent as most divisions

"This restructuring recog-nises a need to simplify and streamline domestic oil and increased trading margins.

The group is also negotiating a management buy-out of Russame time generating addi-tional cash to sustain or furn, its furniture retail chain which has annual sales of R841m (\$301m). Tradegro's turnover was R7.20bn and prefor exploration and develop-ment," said Mr David Hents-chel, chief executive officer of tax profit R179.1m. Net earnings increased to 39.2 cents a share from 28.5 cents.

# **IBM** boosts mid-range computer family

By Alan Cane

INTERNATIONAL Business Machines, the world's largest computer manufacturer, yesterday amnounced new models in its strategically important mid-range computer family which are designed to increase the appeal of the range to smaller customers.

The computer family, the

The computer family, the AS/400 range, was introduced with considerable revenuatezz last June as a replacement for the company's ageing System/ 36 and System/38 machines and to help stem the defection of enstoners to other manufac-

of customers to other manner-turers' officings.

Digital Equipment Corpora-tion, for example, had signed up many of IBM's customers through offering a range of machines sensibly graded in power all of which would ran the same applications soft-

The mid-range is particularly important to computer manufacturers because it is the fastest growing area of the

These machines are installed by first-time users as well as departments and subsidiaries of large companies.

Analysts in general agree that the new IBM range has been a substantial success and has reversed the group's competitive position.

IBM claims it has been gainng new customers at its com-

petitors' expense as well as converting existing S/36 and S/38 users. The AS/400 range covers the

middle of the power spectrum, catering for customers who need less than a dozen terminals to those needing 800 or

Yesterday, IBM announced two small models, the B35 and B45 which offer approximately 20 per cent more performance for the same cost as the model they supercede. The BS5 costs about £16,700; the B45 £38,422

The launches mean that IBM now offers a smooth mid-range progression from a machine with a maximum of 40 workstations to one offering 800. The company also amounced a raft of software products aimed at making the new machines simpler to use

and simpler to connect to other computer system. In addition it unvolled a

new family of video display screens designed, says IBM, to provide better ergonomics for their users. Wang launch

Wang, the troubled Lowell, Massachusetts, based mini-computer manufacturer which is in financial straits yester-day launched new personal computers based on the popu-lar Intel 80/286 and 80/386

microprocessor chips.
The company has hedged its bets by basing three of them around industry standard designs and the fourth on IBM's "MicroChannel Architecture" which has yet to be tecture" which has yet to be adopted as an industry stan-dard.



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**Hambros Bank Limited** 6th September 1989

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September 6, 1989

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#### INTERNATIONAL COMPANIES AND FINANCE

# Sedgwick stays afloat in recession

By Clare Pearson in London

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The state of the s

STATE OF THE STATE

SEDGWICK GROUP, Europe's basis, while revenues of increase in expenses in the seclargest insurance broker, yes- £336.2m, from £319.7m, showed ond half. Staff-cutting moves largest insurance broker, yes-terday matched the most opti-mistic City forecasts when it announced pre-tax profits very marginally ahead for the six months to end-June. A 5 per cent advanca to £64.8m (\$101.6m), up from £61.9m, was the best that had been expec-ted given the continuing recession in the industry.

The impact of higher interest rates on investment income helped Sedgwick stay afloat, as did the stronger dollar and. measures to hold expenses in check.
Adjusting 1988 actual results

for 1989 exchange rates, pre-tax profits would have shown a rise of ahout £500,000. Expenses, up to £269.2m from £256.1m, were static on this

By Our Financial Staff

40 per cent to Fl 42.1m (\$19.1m) from Fl 30.1m in the second

quarter of 1988, buoyed by strong underlying business and currency translation gains.

Earnings per share gained 35 per cent to F11.96 from F11.45

a year earlier when there were

Sales in the latest second

quarter rose 15.8 per cent to

FI 4.17bn from the year ago FI 3.60bn. That rise was also aided by the sharp apprecia-tion of the US dollar this year.

. Reflecting the firm financial

performance so far in 1989, Ahold increased its interim

cash dividend to a combination per cent growth."

fewer shares outstanding.

Ahold advances by 40%

AHOLD, the big Dutch food of 55 guilder cents plus 10 US retailer, boosted net profit in the 12 weeks ended July 16 by 5 US cents a year earlier. 40 per cent to FI 42 Im (\$19.1m) Shareholdsrs wers also

an increase of 1 per cent.

Earnings per share came out at 10.19 against 9.8p. The interim dividend is maintained at 4p. Interest and investment income rose to £29.4m from

... Mr David Rowland, chairman, said insurance market conditions remained difficult although the trends in US insurance rates appeared to be alightly better. This year, North American business had on average been renewed at premium, rates 15 per cent lower than 12 months ago. Last year, they were 25 per cent

Mr. Rowland said recent UK wage settlements would mean there was likely to be a small

offered the option to obtain one

new share for each 100 already held in lieu of the cash pay-out. Ahold did not offer a share

option for its 1988 interim divi-

... The company's results were

well above analysts' forecasts.

Mr Fokko Tuin, analyst with

Amsterdam investment bank-

ers Kempen & Co, said that.

the company that the second quarter might surpass previous

expectations, "the strength of these results was far beyond

our expectation of around 20

ond half. Staff-cutting moves had seen UK employee num-bers fall by 2.1 per cent in the six month period; hy 15 per cent at E.W. Payne North America, the reinsurance broker; and by 3.8 per cent at James Group, tha US retail

Plans - devised in response to the difficult environment to tighten control of Sedgwick's far-flung operations by grouping them into four dis-tinct divisions from the heginning of next year were well advanced, Mr Rowland

Sedgwick's Lloyd's underwriting agency was a hright spot, making a profits contribution of £6m against £3.1m last time. This reflected com-

missions earned during 1986, a highly profitable year for Lloyds. Mr Rowland also said yester-

day that Transamerica of the US, Sedgwick's 39 per cent shareholder, had given notice it would consider itself free to deal in the shares from next March. This followed the expiry of a standstill agree ment, dating from Sedgwick's acquisition of James Group, at the end of last month.

However, Transamerica had said it had no present intention of buying or selling. "This is a position both sides are very happy with," Mr Rowland said. Sedgwick earlier this year asked Transamerica directors to stay on its board rather than automatically resigning when the agreement expired.

# Cockerill offer price set

By Our Financial Staff

SHAREHOLDERS in Cockerill Sambre, Belgium's state-owned steel company, yssterday approved a price of BF1220 a share for a public offering of 35m preferred shares with warrants which will raise around

BFr7.7bn (\$188m).

The offering price was more than the BFr210 a share originally proposed by Cockerill's management when the offering was announced on August 16. The operation will raise the

proportion of Cockerill shares that are publicly traded to 12.6 per cent from less than 2 per cent. Mr Jean Gandois, chair-man, said after an extraordinary shareholders' meeting in Brussels that the exercise price for each warrant attached to

two new shares had been set at

Mr Gandois said the slight increase in the share issue price reflected the surge in Cockerill's share price that followed the announcement of its

capital increase plan.

Noting that some people had criticised him for not pitching the price higher, Mr Gandois said he considered BFr220 a "serious" level given that the steel industry was enjoying an exceptional boom that would not last forever. "I don't want shareholders to be disap-

BFr482 on Monday before being

pointed in three years' time," he said. Shares in Cockerill closed at

At group level, cashflow after exploration costs rose to FFr12.4hn from FFr9.5hn in 1988. Cashflow hefore oil exploration was up 30 per cent compared with the first half of 1988, in line with the increase after exploration costs.

At Sanofi, the publicly-quoted pharmaceutical and cosmetics subsidiary in which Elf has a 50.7 per cent stake, first-half group net profits rose 28 per cent from FFr323m to FFr415m. The 1988 figure excludes an extraordinary gain of FFr211m.

Turnover increased 20 per cent over the equivalent 1988 period, from FFr7.15hn to FFr8.59bn. The biggest rise came in the bio-activities division where sales rose 28.2 per cent to FFr3.52bn.

#### Elf raises ISS courts expansion... first-half and the City's coffers profits 40% to FFr4.3bn

By Our Financiai Staff

ELF AQUITAINE, the hig French state-controlled oil group, yesterday announced a 40 per cent rise in first-half net attributable profits to FFr4.8bn (\$653m) from FFr3bn a year earlier.

Elf attributed the strong performance to growth in sales in the oil and gas sector, helped hy rising prices. Its other prominent areas of chemicals and health and hsanty products also per-formed well. Turnover rose sbarply from FFr59.6bn to

Earnings per share in the first half were FFr41 against FFr30 a year earlier. For 1988 as a whole Elf had net earnings of FFr7.2bn or FFr72 per

as the worm's largest business in its field.

Turnovsr in 1989 will come close to DKr10bn (\$1.3bn) and the group bas more than 100,000 employees in Scandinavia, Europe, the US and Brazil. Elf said mild winter weather in the Northern hemisphere cut sales in oil refining and distribution in the first quarter. A surge in crude oil prices also squeezed refining margins in the first three months of the The choice of London for ISS's first stock exchange list-ing besides Copenhagen was year, bnt that situation improved in the second quarnot made only for financial reasons. ISS has a strong pres-ence in the UK market and will ter as product prices rose.

Overall cashflow in the sector for the first six months this month formally open the

was about the same level as in headquarters of its European division near London. the first half of 1986, Elf added. The chemicals sector continued strong overall. "The UK is one of our most exciting markets by virtue of privatisation and the use of despite some slowdown in pet-rochemical products markets. Chloride chemical products and engineering polymers conprivate service companies in the public sector, so it was nat-ural for us to place our Eurotinued to do well. pean beadquarters in London,

said Mr Andreassen. The group has expanded par-ticularly rapidly through acquisitions over the past two years. The biggest of them was ADT, a US cleaning company with 26,000 employees, which cost \$69m. Other acquisitions, in the UK, Germany and Scandinavia, bave cost an addi-

tional DKr640m over the same

↑ he Danish-based inter-

national cleaning and

building maintenance

group, ISS, is to tap the inter-national markets for equity

capital this month, with an issue to be made in London in

conjunction with a listing on

the London stock exchange.
"We are now a middle-sized

international company and we

need to approach the interna-

tional stock markets for finance for further growth,"

Mr Andreassen bas been

chief executive at ISS for 27

years, master-minding the expansion of what was then a medium-sized Danish cleaning

company to its present position

as the world's largest business

said Mr Poul Andreassen.

Hilary Barnes on the Danish building maintenance group's forthcoming London listing and issue will will be written off over 20 years) caused a reduction in

> assets ratio to 15 per cent. Mr Andreassen is not perturbed. "Our cashflow is good. The equity ratio will correct itself in the course of a couple of years through consolidation. But if we are going to continue to expand, we need more

equity capital from DKr618m to

DKr513m, taking the equity-to-

money."
Sharebolders bave received a good deal from ISS, Mr Andreassen believes. Earnings per share have increased from DKr34 in 1984 to DKr56 in 1988, adjusted for share issues, and the dividend has grown from DKr12.6m in 1984 to DKr27.1m last year. The after-tax yield on shareholder's equity last year was 19.7 per cent, down from

22.7 per cent in 1984. Mr Andreassen sees growth over the next few years coming mainly from contracts with public-sector institutions, espe-cially bospitals. Last year ISS bought Mediclean, a UK hospitals cleaning and service com-pany, and ISS bopes to use its experience in the UK market to develop the market in the rest

of Europe. "The potential in bospitals is enormous, but it is not an easy market. We shall use the knowhow we gained with Medi-clean as the basis for develop-Europe," said Mr Andreassen.

FIVE-YEAR RECORD (DKr m)									
	Consolidated turnover	Pre-tax profits	Total assets	Dividend payout	Employees (year-end)				
1984	4,732	100.4	1,742	12.6	51,940				
1985	4,733	103.7	1,721	14.7	56,499				
1986	4,981	118.8	2,036	17.8	60,991				
1987	5,384	155.7	2,072	21.5	65,821				
1988	6,609	202,5	3,126	27.1	100,159				

# Spar Handels helped by regional purchase

German food retailer, said Tuesday its pre-tax profit surged 89 per cent to DM20.2m (\$10.3m) in the first half of 1989

NEWS IN BRIEF from DM10.7m a year earlier,

AP-DJ reports.

The company traced part of tha gain to its merger with Spar-Sudwest, a regional food wholesaler, at the end of June. Without Spar Sūdwest, earnings would have climbed 51 per

in water to their by an i

Section 1 de la Company

cent to DM16.2m DM10.7m, Spar said in an interim report. Sales climbed 47.3 per cent to

DM3.58bn from DM2.43bn, mostly because of the merger. Excluding Sudwest, turnover was up 8.1' per cent to DM2.62bn from DM2.43bn.

Hertel, the West German tool maker, said its group net income jumped 57 per cent in the first half of 1989 from a year earlier because of higher capacity utilisation and a **E** Generale de Banque, Bel-

Francisco estados estados

The state of the s

favourable trend in commodity prices, AP-DJ reports.

Net income climbed to

DM29.3m from DM18.6m a year earlier. Group sales advanced 11 per cent to DM302.8m from DM272.6m, Hertel said in an interim report.

Company officials, citing a continuation of the positive trend, said they were likely to raise the 1989 dividend to DM11 for each preferred share from DM10 in 1988.

gium's largest commercial hank, and Groupe AG, the country's largest insurer, plan to co-operate in selling life insurance policies, spokesmen for the two companies said yesterday.
The companies said they had

formed a company called Alpha Life, with start np capi-tal of BFr80m (\$2m). It would hegin operations next year, selling life insurance policies throngh Gén-érale de Banque's hranch net-

#### Finnish insurers end dispute over managing director THE SUPERVISORY boards of pute, Reuter reports from Hel-

sinki Pohjola's managing director

Poul Andreassen: UK

The cost of the acquisition programme showed up in the

first-half interim report, both in the profit and loss account

and in the balance sheet. The

ADT acquisition was financed by borrowing, which sent net

financial costs soaring from

DKr3.5m in 1988 to DKr44.7m

However, pre-tax profits increased from DKr54.2m to DKr82.2m on sales up from

DKr3.22bn to DKr4.65bn, "Of

course, we have to pay back more, but we have shown in

the first half that we can," said

goodwill on all acquisitions

An immediate write-off of

this year.

Mr Andreassen.

an 'exciting market'

Finland's Vakuutusosakeyhtio Pohjola and Suomi-Salama insurance companies have appointed Mr Yrjo Niskanen until September 4. Mr Pentti Seppala, was demoted to managing director and chairman of the board of managedeputy but also made deputy of Suomi, an independent company within the Pohment of both companies, ending a long hoardroom disjola group, a spokesman said.

The row began in May when Mr Niskanen lost his seat on Pohjola's management board group chief executive Mr Pentti Talonen, who has since left the company. The title of group chief exec-

utive is to be abolished.

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Salzgitter, Germany

# DEM 90,000,000

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Berliner Handels- und Frankfurter Bank Westdeutsche Landesbank Girozentrale Banco di Napoli as particpants and

Citibank Aktiengesellschaft

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Cítíbank, N.A.

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4 by per cent, Bonds 1993
NOTICE IS HERESY GIVEN, pursuant to Clause 4A2 and (S) of the instrument (the "Instrument") by way of deed pool, dated 23rd February, 1989, made by Kyocera Corporation (the "Company") in connection with the warrants the "Warrants" to subscribe up to 409,165,000 for shares of common stock of the Company as follows:

The Soard of Directors of the Company are meeting held on 17th May, 1939 resolved that the Company make a free distribution of shares of its common stock on 17th November, 1989, Japan time, to the shareholders of the Company registered on its register of Company registered on its register of stureholders at 17.00 hours. Japan time, on 30th September, 1989, at the ratio of 0.05 shares for each one share owned by

such shares his each mis share broked in such shareholders. As a result of such free distribution, the Subscription Price (as defined in the Terms and Conditions of the Warrants, which is currently 5,259 Japanese yen per share, will be reduced to 5,003.6 Japanese yen per share in accordance with Clause 3 of the Instrument. The new Subscription Price will become applicable as from 1st October, 1989 which is the day immediately after the record date.

By: THE SANWA BANK, LIMITED as Principal Paying Agent Dated: 6th September, 1989

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Bank of America

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The Financial Times

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# INTERNATIONAL COMPANIES AND FINANCE

# Japan's shipbuilders again afloat

Profits are expected after a decade of losses, writes Robert Thomson

hen Japanese ship-builders were taking on water after the appreciation of the yen in a glutted global market three years ago, the prospect of prof-its was far from the thoughts of the industry's Big Six, whose minds were then con-

centrated on survival.

In the past year, order books have filled, profits on ship-building are expected this year. after more than a decade of losses, and the cut-throat, cutprice competition with South Korean builders has been replaced by a cosier relation-ship. As one Japanese com-pany official put it, there is harmony in the industry. Once unfashionable shipping

Once unfashionable shipping stocks have now become desirable on the Tokyo Stock Exchange, and share demand for Mitsnbishi Heavy Industries (MHI), the largest builder, and others such as Ishikawajima-Harima Heavy Industries (IHI) and Kawasaki Heavy Industries (KHI) has been Industry will stoke up the stock market.

Now, industry operators suggest that the Japanese compa-nies, which have cut shipbuilding divisions as they have broadened interests in other areas, are able to quote under the stricken South Korean industry for some vessels. Orders are up significantly this year, and an IRI official said that the winds have turned "favourable" — favourable enough for builders with books full until mid-1991 to hold off finalising orders for the distant future in an attempt to lessen the risk from currency fluctua-

The new-found and hard-fought harmony has just over-come an unexpected obstacle, a demand by the Shipbuilders Council of America that the US Trade Representative investigate allegations of unfair gov-ernment support for the industries in Japan, Sonth Korea, Norway, and West Germany.

Japanese companies were "nervous" at the thought that shipbuilding could become a symbolic trade issue, as was the case with the campaign by Motorola, the US communications equipment company, to win radio frequencies for its mobile phones in Tokyo.

The US Trade Representative has decided not to pursue the case, which US builders initiated as part of a drive to take a 2 to 3 per cent share of the world market. Japan's Ministry of Trans-

port; which has overseen the domestic industry's painful restructuring, characterised

the allegations as "unreasonable" and argued that they overlooked the OECD role in

overlooked the OECD role in co-ordinating the revival of international shipbuilding. Mr Tetsuo Takahashi, of the Japan Shipbuilders' Associa-tion, which represents ship-building companies, said that a "worldwide intensification of economic activity" is partly responsible for the increased

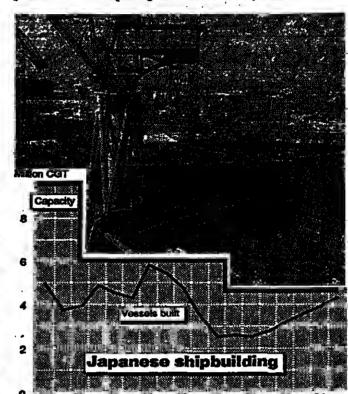
responsible for the increased demand, as is the delayed replacement of vessels by shipping lines that now can wait no longer.

He said shipbuilding companies are wary of glutting the market again, although there are signs that a couple of companies are contemplating an

pean makers had about 16 per

showing the strain of the sharp appreciation of the Won and a ess docile labour force. In 1987, the two largest companies, Hyundai Heavy Industries and Daewoo Shiphuilding and Heavy Machinery, could offer a 35 per cent discount on Japa-nese rates. That margin fell to between 10 and 20 per cent last year, and, more recently, a Japanese maker produced a lower estimate for a product carrier than a South Korean competi-

Mr Adam de V. Parr, a ship-building analyst at Barclays de Zoete Wedd, said that there



increase in their severely

reduced capacity.
"Let's pretend that we are going through a long tunnel, and see a light. At the moment, we have a back wind pushing our drive," Mr Takahashi said, Japan had a 37.6 per cent share of world new orders last year, down from 56.8 per cent in 1984, but a slight increas

the 34.7 per cent of 1987. South Korea, with lower labour costs, had been the biggest threat to the Japanese companies, lifting its share of the market from 9 per cent in 1980 to 30.2 per cent

Last year, the South Korean share of new orders fell back to 24 per cent, while West Euro-

was "absolute shock" among Korean companies at the changing terms of reference: "The reply of Daewoo and Hyundai had people on the edge of their seats. There were fears that price cutting might start again, but that hasn't been the case." Japanese companies argue

that they have paid a high price for improved prospects. In April 1987, the Ministry of Transport enforced the awkwardly titled Temporary Measures Law Concerning Opera-tion Stabilisation of Designated Shipbuilding Enterprises, which resulted in a 24 per cent cut in capacity from 6m cgt (compensated gross tons), the

South Korean builders are

departure of 18 of 44 companies from the industry, and a 45 per cent fall in the labour force. That was the second readjustment in the industry, following on from a reduction of capacity from 9.8m to 6m egt in 1979-80.

r Takan Shinohara, director of the Trans-port Ministry's international strains office, said that stability came to the industry after the South Kor-ean makers were forced to the negotiating table by serious

negotiating table by serious financial problems.

"The Koreans were very ambitious. They had little experience of consulting with foreigners on prices. Two years ago they got many orders at low prices, and now that the Won has risen and labour costs have risen, they want to increase prices, but the ship owners want to stick to the prices in the contracts. The South Koreans had no choice South Koreans had no choice but to consult," Mr Shinohara said. He expects that that demand for ships will rise "moderately," though figures released by the ministry sug-gest that short-term demand is

rising significantly.
The ministry issued 32 shipbuilding permits for a total of 957,637 gross registered tons in July, up from 558,288 grt in July 1988. Permits for 4.86m grt were issued for the year which ended in March, while in the first four months of the current year the figure had already reached 3.48m grt.

Companies long recognises as shipbuilders have shifted their focus away from the industry, with only 13 per cent of MHI's sales derived from shipbuilding, 14 per cent at IHI, 7 per cent at KHI, and 13 per cent at Hitachi Zosen.

MHI has done well from defence contracting and is involved in the FSX fighter joint venture with General Dynamics, while other compa nies in the industry are con-centrating on aerospace, heavy machinery, and, in one case, tea cultivation.

The Tokyo market appeal of shipbuilding stocks has been enhanced by their sizable land holdings around Tokyo Bay. IHI and Sasebo Heavy Indus-tries have particularly large holdings, and grand plans for their plots, including office complexes, a marina, and the inevitable condominiums. Still, the possibility of renewed price cutting remains

a threat to the Japanese pro-ducers – if the troubled South Korean yards sign heavily discounted contracts, a price war could be declared once more, and Japan's cosy internal cartel could be swamped.

# CRA sets earnings record of A\$312m

By Chris Sherwell In Sydney

INCREASED PRODUCTION and higher prices for iron ere, zinc and diamonds have helped CRA, the Australian resources group, to best last year's record interim earnings be 27 ner cent.

by 37 per cent.
The company, 49 per centowned by RTZ Corporation of the UK, reported equity-ac-counted earnings of A\$311.9m (US\$238.5m) for the six months to June, up from A\$227.6m in the same period last year.

The figure includes a A\$51.5m equity contribution from associates, which came principally from its new Pasminco zinc and lead joint venture with North Broken Hill inre with North Broken Hill Peko. Gronp sales, at A\$2.57bn, were down from A\$2.85bn last year, when sinc operations were included.

A breakdown of the figures showed increased profits from the Hamersley iron ore operation, the Argyle diamond mine and Pagmingo, all due to significant. and Pasminco, all due to sig-nificantly increased output

and sharply higher prices. These were partially effect by lower contributions from the group's coking coal opera-tion and the troubled Bougain-ville Copper mine, which attempted unsuccessfully to reopen yesterday, and a static performance from the Comalco

performance from the Comaico aluminium group.

CRA enjoyed lower financ-ing costs, because its strong cash flows earned higher-inter-est income and challed debt repayments of almost A\$300m. However a stronger Australian dollar than in the first half last year reduced revenues for products priced in US currency

by 8 per cent. The figures also showed an extraordinary item of A358m, reflecting the sale of its remaining 11 per cent stake in Metal Manufactures, the Australian subsidiary of BICC of

the UK Overall, earnings per share rose to 54.7 cents before extraordinary items, up from 40.7 cents. Directors declared an interim dividend of 20 cents per share, fully franked, which compares with an unfranked interim dividend of 18 cents

last year.
On the outlook, the group said supply factors had been the dominant cause of price movements, and this was expected to continue into next year. Results "should continue to be satisfactory." Commodities, Page 42

# **UIC sells QAF holding**

UNITED INDUSTRIAL Corpor-ation (UIC), a Singapore listed conglomerate, has sold its 19.2 per cent holding in QAF, a food-based investment group, for about \$\$33.6m (US\$17m), Renter reports from Singa-

The 54.25m shares were sold at 62 cents each, giving UIC a profit of about S\$11.7m. UIC said the sale was made on the market through stockbrokers,

adding that there were no

deferred payment terms.
UIC is to use the proceeds to reduce existing borrowings and for working capital. Brokers said the QAF shares were taken up by several investors including Hong Kong fund

managers.
Yesterday UIC shares closed
3 cents higher at \$\$2.07, while
QAF was trading 0.5 cent firmer at 65 cents.

#### Sumitomo Bank to raise Y183bn

SUMITOMO BANK of Japan is to offer 50m new shares to the public, expecting to raise around Y183bn (\$1.27bn) for working capital, Reuter reports from Tokyo. The price of the shares will

be set by the board. Payment is due on September 30. Sumitomo's outstanding capital was 2.78bn shares as of August 31.

# NOTICE TO THE WARRANTHOLDERS

Personal to Clause 4 (A) (f) of the lestrances deted 25th February, 1987 like "fastrances" relating to the above captioned warrants (five "Warrants"), notice is hereby given as follows:

TOYOTA TSUSHO CORPORATION
By: The Tried Bank, Limited
as Principal Paying Agent

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Subscription Price before a financient

Yest 562.90 Yest On List Effective date of adjustment: Lat October, 1989, Tokyo ting

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September 6, 1989, Landon By: Gilbank, N.A. (CSSI Dept.), Agent Bank

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FINANCIALTIMES

#### INTERNATIONAL CAPITAL MARKETS

Pre-tax profits (Forints m)

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# Hungarian issue cues Western rhapsody

n what is regarded as a test case for future Hungarian businesses seeking capital in the West, a small private company has successfully-issued shares through Girozen-trale, Austria's second largest

On the face of it, the financon the face of it, the financing was remarkable because the forint, the Hungarian currency, is not convertible. That, in itself, would make Western investors wary. But, thanks to ingenuity on both sides, the printing of External contents of External contents. initial offering of Ft30m (\$500,000) was oversubscribed in Vienna by a factor of 8:1.

The company concerned is called Novotrade. It specialises in software development, employs 200 people and was anxious to increase its capital in hard currency Mr Gabor Renyl who heads Novotrade reckoned the company was in good enough shape to attract outside capital.

The figures speak for them-selves. When it was founded in 1983, Novotrade's first-year sales totalled Ft34m. By 1988, turnover had topped Ft2.5bn

Judy Dempsey on a pioneering Eastern block company that has successfully tapped Western capital markets

and profits before tax had reached Ft112.2m.

Over that period, the com-pany had diversified to encompass desktop publishing and computer/software shops, and the management of Sotheby's showrooms in Budapest-Share capital had grown to Ft236.8m, of which half is now held by

the company itself.

It was only a matter of time before the company would need hard currency. But the move was not easy Despite the positive publicity surrounding Hungarism economic reform, it has not been that conducive to private companies wishing to tsp Western capital.

One reason is that Hungari ans are only allowed to hold bearer shares denominated in forints. They are not allowed to buy foreign shares; and foreigners are not allowed hold bearer shares in Hungary, Corporate managers in Budapest feel that the Hungarian suthorities still have a lingering sus-picion, tinged with ideological overtones, that any well-run Hungarian company would be prey to a takeover if Western investors could openly huy

However, in a spirit of com-promise which is so typical of the Hungarian authorities, for eigners can hold a certain percentage of registered shares in a Hungarian company if it is acquired with hard currency.

Hungarian sceptica have worried shout the non-convertibility of the forint. But Girozentrale had other ideas about interpreting Hungary's current stock exchange practices and

Earlier this month, Novotrade issued 120 registered shares, each worth a nominal value of Fi250,000 with a subvalue of F250,000 with a sub-scription price of 130 per cent of their nominal value. Accord-ing to Mr Peter Zelnik, a capi-tal market analyst at Girozen-trale, the issue, which was carried out with the minimum

of publicity, lasted three days.
The novel aspect to the issue
is that, if foreigners want to buy more shares, Girozentrale will be able to huy bearer shares in Hungary and convert them into registered shares. "We will, however, be trading only in bearer certificates," explained Mr Zelnik. "They are not registered as such, but they will carry full dividend and voting rights."

Novotrade's share issue is too small to be quoted on the

too small to be quoted on the Vienna bourse. Mr Zelnik says that the market is extremely narrow while in order to meet stock exchange regulations. Novotrade needs to bring its

accounting into line with West-ern standards of disclosure. However, he does not rule out a full bourse listing at some future date. A Western accounting firm is at the moment preparing a consoli-dated balance sheet and profit and loss account ahead of the day when Novotrade feels the time is ripe to enter the wider

world of stock market trading. In the meantime, Novotrade and Girozentrale are waiting for September 18, when trading (by phone) in the shares gets underway. If everything goes according to plan, Novotrade expects to issue a second

# Treasuries lose ground as inflation fears resurface

By Janet Bush in New York and Katharine Campbell in London

was quoted it point down from its close before the three-day holiday weekend to yield 8.14 per cent. The weakness yesterday

#### GOVERNMENT BONDS

came in response to a press report suggesting that some of the DS Federal Reserve's regional bank governors are considering raising interest rates and that inflationary pressures could start to-rise

again. Although the latest US purchasing managers; report on economic activity pointed to continued weakness in the manufacturing sector, employ-ment figures for August and upward revisions in the nonfarm payroll in both June and July provided evidence of some momentum in the labour mar-

US TREASURY bonds fell. With this in mind, coupled yesterday morning amid concern about the outlook for interest rates.

At mid-session, some long-dated issues were as much as the point lower while the Treasury's benchmark long should not feel justified in easing monetary policy any sury's benchmark long should not feel justified in easing monetary policy any ing the morning. The benchmark 2003-07 stock closed %

. Speculation that the Fed may even put rates up at some stage pushed the dollar sharply higher. At mid-session in New York, it was quoted at Y147.10 from an earlier low of Y145.80 and at DM1.9920 from DM1.9735.

Co-ordinated intervention by the Fed and other central banks to brake the rise barely took the dollar off its highs.

MSTERLING'S slippage yester-day was sufficient to prompt some overseas investors to sell UK glits, which in turn caught the attention of some nervous domestic institutions, which sold small chunks for the first

time in a while.

The pound is slipping not just against the firm dollar, but also against the Deutschmark the latter currency temporarily supported by suspicions that the Bundesbank could move to raise rates tomorrow.

Domestic players are con-cerned at the damage that

	Coupon	Red	Price .	Change	Yleid	Week ago	Month
UK GILTS	13.500	9/92	106-01	-11/32	11.11	10.78	· 10.82
3. 700 1 14	9.750	10/08	96-25	-6/32 -13/32	9.37	10.09	10.15 9.24
US TREASURY	9.125 8.875	5/90 2/19	105-28 107-18	-3/32 -7/32	8.23 8.20	8.30 8.27	7.98 8.04
IAPAN No TIT	4.600 5.700	6/98 3/07	96.321e 105.7516	-0.378 -0.197	5.21 5.08	5.08 5.01	5.15 5.08
GERMANY	7.000	2/98	100.9500	-0.060	6.66	6.83	6.67
FRANCE BYAN OAT	8.000 8.125	1/94	97,3836 97,8500	-0.188 -0.340	8,72 8.44	8.70 8.45	8.52 8.36
CANADA "	10:260	12/98	104.3750	: .	9.52	9.58	9.25
NETHEBLANDS .	7,000	3/98	98,6600	-0.060	7.20	7.15	8.96

12.000 7/99 94,8587 -

point lower at 114-01. ■TURNOVER in the German market, trapped in a lull, remained sluggish despite the launch of a new federal issue with an unexpectedly generous

7 per cent coupon.

The DM4bn 10-year issue is priced at 101¼, and was bid at around 101 towards the end of the afternoon. Some dealers had expected a coupon as low as 6% per cent, the level of the most recent issue in early July. While volumes in the domes-

while volumes in the domes-tic cash market were low – subdued by the nervousness at tomorrow's Bundesbank coun-cil meeting, among other things – turnover on Liffe, at around 25,000 contracts, was anbstantially larger than

recently.

The bund future finished at 94.15, 12 basis points weaker than the previous close.

Kredietbank, Belginm's third largest bank, is to buy two Belgian stockbrokers,

AP-DJ reports.

The bank said the deals were struck in anticipation of planned stock market reforms. The Government has said it expects to complete a programme of deregulation by the end of this year.

Kredietbank said it bad agreed to purchase N.V. Beursvennootschap De Ferm & Partyennootschap be service bereit bereit between the said it bad agreed to purchase which are the said in the said it bad agreed to purchase N.V. Beursvennootschap be serviced bereits between the said in the said it between the said in the

ners, with a capital base of BFr25m (\$605,000), and N.V. Beursvennootschap Van der Keilen & Partners, with capital of BFr50m. Both Générale de Banque

and Banque Bruxelles Lambert, Belgian's other leading commercial banks, have also recently invested in stockbro-

#### FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

IS DOLLAR -					<b>60</b> .	
TRATCHTS .	-	264	Citer			
Alberta 94 95	600	202%	1024	-0%	+61	8.79
		101 2	1024	-04	+04	8.99
3.F.C.E: 7 92	150	4954	. 954	a	-04	9.12
J.F.C.E. 74 75 J.F.C.E. 74 75 J.F.C.E. 74 75 J.F.C.E. 74 75 J.F.C.E. 74 75 J.F.C.E. 74 75 J.F.C.E. 75 75	150	1017	1024	0	+04	8.80
Brit. Tel. Flo. 91 96	250		* ***		•	***
anada 9 96	1000	1102	1023	-04		e.51
lamadian Pao 104 93 Aranga	100	71024	102	0		190
CCESH 45	. 300	1201 4	1015	-61	. 0	1.96
MC491-99	× 150	LIMIT.	100%	01.	+04.	4.19
reilt Batinsal 6's 93	200	- 190	964	-01	404	8.87
H C 633, 99 odh Balloud 63, 93 ode Halesi 73, 921	100	7. 95	96.2	. 4	+04	2.00
real 1 Martineral 945 92 1 5	160	1400	101.4	-04	+04:	Q-9.10-
emat 7 92	150	101	101	101	4034	9.03
erra t 75, 92	-500	250	964	Ô	+04	9.06
FC 791 EC 74 93	160	96		0		8.89
EC 74 93	. 250	495	95	ā	-0%	8.95
E C 1043	146	11035	193	-04	Ò	8.62
F.C. 1073 3e0feat 101 <sub>9</sub> 95	100	4035	194	-0-	. 0	8.81
ler De France 998	200			.03	104	2.63
Tee De Cornes CL GO .	200	1103	104	-01	+01-	. 8.88
Reland 9 % Jun Evo Cd. 81-92 Jun Evo Cd. 91-95	250	1001		-05		8.83
los Eve M SL 92	200	1984		61		9.09
The TA OL OR	200	102		+04		8,90
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ord Motor Octil 8 92 en Elec Cap Corp. 943 en Elec Cap Corp. 10 1/291	250	4984	95	. ŏ		911
on Flor Care Service 7	500	*13003		. 5		137
- Flancis Con 201/201	300	11015				9.06
NA COOK	300	There's	99	-01	+64	9.24
MAC 996 en Mirs Corp. 91, 92	200	1983	101	+01	+04	8.80
CHICAGO COLON	250	99.7	1001	707		. 6.85
BM Greate Corp. 84 91	~			-0%		8.37
BM Credit Corp. 992	250			-01		8.76
S46 Crede Corp. 95, 92	250	101			-04	
SM Credit Corp. 10 92	200	1057	1024	-04	+01	. 8.81
a) 92 95	1000	11023	103	-04		8.89
2) 94 99	1000	104				8.95
d C W/W 45 94	. 1000	96%	994	.0	-04	4.92
apon Dev. Bank 10 %		105	105	-01	+04	8.91
T.C B.of June 94 92	200	100%	100%	+0+		8.99
hetropolis Tolga 91 <sub>2</sub> 93.	200	1017	100	+6,3		8.89
Topon Tel & Tel. 9% 98	250	1021		8	104	8.91
oreo; 81, 93 oreo; 81, 93	. 500	994	100%	. 0		8.72
ortugal 8 4, 97	300	197%	904	-04	_ 0	7.54
MINISTER CTS. 834. 94	_	1994	. 300	+01		1.00
areltogue Bank 9½ 92	. 150	1101%	201.3	+07	+0%	8.96
anitome Corp. W/W 493	1500	104-	105	-04	-14	257
redes 7 9L	250	196	96-2	-04	. 0	9.03
wedes 8 \ 96	200	. 994	1004	-04	+04	8.76
protes 8-3 92.  systa 9-5-91.  systa 9-5-91.  systa 9-5-91.  systa 9-5-91.  systa 9-5-91.  systa 9-5-92.  systa 9-5-92.  systa 9-5-92.  systa 9-5-92.	200	7981	981	0	. 0	8.99
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Syota Mtr.Corp. W/W 493	1500	1101	102			3.54
ictorian Rep 11 & 92	150	11054		-01	. 0	9.15
forld Back 7 92	300	195%	964	-0-	465	8.83
fortd Bark 997	300	1100	101	105	0	8.84
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World Bank 94 98	. 300	1102	102	-04	-21	8.
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Bk.Frga.Econ.USSR 7 96		1964	974	Ō	ā	7.5
Bank of Tokyo 53, 93	. 100	196	96 2	-04	0	6.9
Commerzbank o/s. 51, 93	300	195	9512	Ō	-01 <sub>2</sub>	7.0
Credit Foncier 6 4 99	500	97%	96	-030		8.0
E.I. 8. 64 99		941	945	-04	-0×.	7.0
E.I.8. 612 99		19512	9612	-012	-0%	7.0
E.I.8. 65 96	. 600	1984	98%	-04	-014	6.9
F.1-8 67 95		991	99%	-03	-04	6.9
E.I.B. 64 95	175	9312	944	-01-	-04	6.9
Eurofima 64 96	100	964	96%	0	0	6.9
Eurofiana 64, 96 Elec De France 54, 97	::: 300	924		-0 %·		6.9
Grating Countries & L. OQ	- TO	198	984			7.0
Japan Dev. Bk. 57, 95	. 300	931		+01-		6.7
Japan Finance 5% 97	100	92		-012		6.9
LA.O. 8. 74 99	300	100%				7.1
treland 6 2 97	300	195%	96%			7.3
Ireland 7 4 99	200	1100	100	-04	-0.4	7.2
Malaysia 64 94,	150	974		-0½	-0.2	6.8
Nat. West SK, PLC 6 98	300	934	93%	0.	-05	7.0
N.H.L. Finance 6 4 95	200	496	9612	0	-04	7.0
Nippon Telg. & Tel. 6 95		95%	963	-04	-1.4	6.3
Oesters. Kontok. 5 93		9312	944	-0%	-04j	7.0
Portugal 54 92		963	974	-04·	-04	7.0
Portugal 6 la 95		991	1004	-01-	-04	6.6
Privathanken 54 93		937	94%	-01	ŏ	7.3
Count January 51, 02		1954	964	-02		7.2
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Turkey 612 95		194	9412			7.0
Union Bk.Finland 512 94	200		22.	-03	~ 7	73
World Bank 6 98	. 500	1924	7,544		-01-	<b>'</b> ''

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,	Britannia B/S_41. 94	100	193	95la -	ĭ5 -07	4.60
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	E.L.S 4 % 98	150		71 4		
	Fletcher Chail. 4% 98	150	184 4		01 -01	
	Kobe City 45, 98.	150	191 ½ 191		70 -04	
	Leeds Perm. B/S. 41e 93	200 100	190		H4 +01	
	Malaysia 51/2 98,	150	18412		012 -01	
	Maxwell Comm.Crp. 5 95	75	192		04 -01	
	Nat Bk. Hongary 512 94	200	1915	914		
	Nationwide Ang. B/S. 4 93	200	192		0 -21	
	Nippon Telg. & Tel. 4 4 95	75			04 +04	
	Desters Ktok. 5 03	150			05 HO	
	Prov. Newfoundland 5 03	200	192	93		
	Thailand 4% 95	150	19132			
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9	Canada 64 91	'80	100%	1014	+04	-04	5.36	
9	Canda 53 93	80	1004	1014	-04	-04	5.33	
2	Eurofina 5 1995	20	981	96%	-04	-04	5.34	
9	E.I.B. 47 93	30 30 50	9614		-04	-0%	5.39	
	freland 51g 93	20	987	771	-01	-02	5,39	
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š . ·	Average price change					•		
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١	GIRER STRUGKLE	Samuel .	EH4	981 <sub>e</sub>	***	reek.	Aleig	
	Abbey Nat. 113 42 E.	100	78	704	-04	-1	12.04	
•	Account 4 92 Flan over 11 construction	100	951	101.	Ď.	-04	7.79	
2	Alg. Bk. Ned. 54, 93 FL	200 100	955	30		104	7,14	
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3	Barclays Aus. 1312 91 AS	100	96	24.2	ă		15.67	
8	Relatura St. Q4 Fou	150	974	981	-01-	Ž.	B.73	
3	BP Capital 9% 93£	100	937	941	-04	-02	11.80	
9	British Alredys 10 98 E	100	914	92	-04	-in	11 55	
Ó	Brit. Telecom 91 93 £	150	931	941	-0.5	-i	11.68	
Ž	Brit. Telecom 91 93 £	100	91½ 931 194½	95	ō.	-04	14.49	1
Ž.	Comm. Bk. Aus. 13 k 94N ZS	60	981 1011 981	98 1	-0%·	-01	14.18	
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•	Deut Bk Aus. 131 93 AS Deutsche Bk Fin. 15 94 AS	100	11014	102	-01	0	8.49	
4	Deve Br. Aus. 134 93 AS.	100	10212	102	-03	.0	17.83	
	El.B. 796 LFr	100	1027	703	-04	~~*	14.08	
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	Export Dy.Cro 84, 92Ecu	100	1001 1997 1997	101	ă	ă	8.44	
9	Fed. Bus. Dv. Bk. 994 Ecu	100	11001	100%	. Ö.	101	5.82	
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2	Feel Bus, Dv. Bk. 103 93CS Ferry. Stato 74 93 Ecu	50	1997	1004	0	Ŏ	10.43	
1	Ferry. Stato 74 93 Ecu		964 1034	974	40 J	юъ	8.74	
9	Ford Cr.Cap. 104 93 CS	100	1100	1004	o.	104	10.61	
9	Ford Cred.Can.10 % 96CS Ford Cred.Fund.10 % 93E	125	101	7057	.0	10-	10.43	
1	Ford Cred. Fund. 10 4 Y.52	60	704	70.4	-04	-1-4	11.83	1
2	G.M.A.C.Carada 11 3/49405 Heincken 71g 94 FL	100 150	1004	1014	_77	2,0	74.67	
•	Hydro-Quebec 11 99 CS	400	7031	1021	~7	20.7	10 39	
6 .	IACR 7L 99.FI	200	991	00 L	-OL		733	
	Lloyds Bank 10 4 98 £		93	931	-03-	1.	11.51	
	Loyds Sank 10 4 96 £	100	994	9642	-01	-īŭ	12.04	
,	Montreal Tst. 10% 93 CS	100	1994	100%	Ò.	<del>1</del> 0 %	10.73	
9	Nat. Aus. Bk. 14 4 9445	100 100 150 500 123	1004	100%	-0 % ·	-0-	14.55	
,	New Zealand 91 93 E	100			=	=		
	0.E.K.8. 104 99CS	150	100	1001	O	0	10.20	
٠.	Royal 8k.Scot.10% 98 £	125	05	953		-1 <u>-</u> -	11 <del>-</del>	
4		150	73	727	~~	-14		
	Saskatchewan 97, 91 CS Saskatchewan 10 4 93 CS	200	991-	991	ē.	юŢ	10.42	
9	State BK.NSW. 137, 93A5	200 100	963	9914 97	-01-	-04	14.90	
	Sander 712 93 Ecu	250	961	963	-O'A	Ò	5.59	
	Sweden 712 93 Ecu Sweden 13 94 A3 Toyota Mtr.Cr.11 1 <sub>8</sub> 92CS	100 150	10212	1034	-01	-1	14.06	
	Toyota Mtr.Cr.11 1 92C5	150	101	102	0.	₩.	10.55	
	World Bank 13% 92 A3	100						
	World Bank 144 94 AS	75	1961	mo#	-04 .	-04	14.09	
	Zentrsok. 134, 93 AS	75	1704	474	-04 .	-0%	14.25	
•	FLOATENS RATE							
	COMPANIE MAIL				_	- 4		

	Alliance & Leic. Bid 94 £		100.	02 1	00.08 2	4/10	14.08
	Bank of Greece 99 US.		99.	54	99.64	8/09	10.6Z
	Beiglum 91 US	- 0	100.	12 1	00.22 2	1105	8.61
	Cheft & Glossester 94 £		99.	.95 1	00.00 3	0/11	14.06
	Credit Foncier 98 US.	,063	100.	.05 1	00.152	OLTO.	10.10
	Dresdoor Finance 99 DM	.031	99.	.87	99.983	0/10	6.97
	EEC 3 92 0M	Q	100.	27 1	00.37 2 00.19	2/02	-04
	Halifax BS 94 £		100.	14 1	00.19	111	13.77
	Intel in Industry 94 £	0.4	100	OR T	00.182	9/11	14.00
	Leeds Perm. B/S. 94 £	0.4	100.	20 L	00.25 1 98.85	3/10	14.00
	Midland Bank 01 £	21	98.	26	10.00 10.00	(100 i	234
-	WILK WKF GLG 3 A3 F	4	100	AD T	20.032	9/17	7 10
	New Zenland 5 97 E	100	100.	01 1	W.11.	1102	227
	State Bk. New. 98 US	-/00	100	* T	00.03 2 00.11 1 00.23 1 00.27 1	200	4.74
	Woolstch 595 £	01.	100	00 1	00.142	101	40 41
	. Average price change:	On day	+0.0	О ол	reek -0	.04	
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	SONDE.	date	-	114	Offer		Prince
	Alcoa 64 02 US	8/87	67	1264	1274	-01	2.79
	Amer. Brands 73, 02 US	9/87	56.7	1371	1384	+77	-1.54
	CBS. Inc. 502 US			109	110		1.98
	Drimeter EL 02 IIS	A197	66.75				78.71
	Primerica 5½ 02 US	2100	4.0	1025	1044		
	Fulles 3 99 US	2/00	1104	2115	21-1	-01	-0.18
	Paris ST- Of F	4,000	7.1	106	1671	AUT.	123.44
•	Ladiroke 51a 04 E	क्या इस्टा					9.26
	Mignity Carners 24, 940 M.	6101	1004			-01	
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	Smith & School of City	110009	4.40	944	954		32,65
•	Silicon Graphics 0 04 US Santitorio Bank 34 04 US Texas lest, 24 02 US	6/89	23.18	-1014	102 7		
	Sunitario Bank 34 04 US	2009	4294	864		-04	13.%
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	W.R. Grace 64, 02 US	067	62 17	1003		104	13.17
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	· + † Only one market	make	Supp	lled a	price		



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AND

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**FINANCIAL TIMES** 

# INTERNATIONAL CAPITAL MARKETS

# Options market heads for radical reform

HOW LONG is an umbilical cord? The London Traded Options Market hopes that it has crafted a new arrangement with its parent, the International Stock Exchange, that stretches the ties sufficiently to ensure its own felicitous second birth, without rejecting the elements of symbiosis with

ative markets . . as well as being of direct benefit to the members of the exchange." This "reflects the importance

This "reflects the importance of the options market to the exchange". he added.

Most options practitioners had felt distinctly unloved by the ISE during the market's eleven year existence – some to the extent of advocating a complete severance - but the new structure sims to give space for LTOM to develop its "derivative characteristics" while still preserving ties to the domestic and international

equity markets on which it feeds, and can feed much more.
The lynchpin of the structure is the proposed seat sys-tem, which both raises capital for a resource-starved exchange, and aims to enhance that elusive component of an exchange's euccess, member

A rights issue is to be held of one "nil paid" seat to all 391 "B" shareholders throughout the exchange. After a period of three months, during which the nil paid shares will be tradthe nil paid shares will be trad-able, those members who wish to take up trading rights will pay a first call of around £15,000, probably representing half the par value of the non voting "B" shares. Mr Tony de Guingand, LTOM director, said he hoped this initial round would raise between 53m and 54m which

between £3m and £4m, which is roughly the cost of new eystems and facilities upgrades for the first two years. Meanwhile, the ISE's contribution is to hand over all the fixed assets currently at LTOM's dis-posal - though this does not include the floor, a third of which LTOM currently rents for about £1m a year.



Mr Geoffrey Chamberlain: 10-year plan

This allows LTOM substantially to assume responsibility for its own financial destiny, although its resources will still fall well short of its biggest

competitors.

CBOE, the world's largest options exchange, has spent \$35m on its systems upgrade over the last three years. The London options market, by contrast, has made a net £4m contribution to the ISE, and laboure on, for instance, with

an eleven-year-old floor sys-

A relatively independent LTOM should also creats a more equal partner in the joint discussions with Liffe. Mr Hugh Smith said he hoped that Liffe, which is still searching for new premises, would decide within the next month whether to move onto the existing floor. Mr Michael Jenkins, Liffe chief executive, who is also considering a new huilding in Cannon Street, observed recently, "the stock exchange has it within its power to make the offer attractive to us."

The current LTOM Ltd recommendations, which have to be fleshed out considerably, will be put to an extraordinary

will be put to an extraordinary general meeting, possibly by the end of the year. Of the 390 or so members of the ISE, less than 60 are considered to be active participents on LTOM, though they will be recipients of the nil paid shares, which should appreciate if the options market does well.

Based on a 10-year plan by Mr Geoffrey Chamberlain, LTOM chairman, presented to the council in May, the propos-als were modified by a special

committee appointed by Mr Hugh Smith. One major addi-tion to Mr Chamberlain's ideas is the insertion of a supervi-sory board, chaired, on a non-executive basis, by Mr Hugh Smith or one of the ISE deputy

The supervisory board will consist of three directors nominated by "A" shareholders—a voting class with ultimate control to be held exclusively by the ISE—and seven directors. hy the ISE — and seven directors nominated by tha "B" shareholders. This board will determine the composition of the "practitioner-based board, which in turn will run the market in detail. This is etill much more democratic Meanwhite, the delimitations of the ISE's powers have still to be hammered out in some areas, notably when LTOM has to obtain permission to enter into certain longer-term contracts.

So far, LTOM's success has been to avoid — narrowly — the pitfall of provoking a wider reassessment of the entire ISE structure that could have stalled its own plans. Now it remains to be seen whether its members rise to the occasion.

# Japanese tax bureau censures four banks

By Robert Thomson in Tokyo

FOUR OF Japan's largest banks have been ordered to pay additional tax on profits transferred to loss-making London and other forsign operations in an attempt to disguise the extent of losses made around the time of the October 1987 stock market crash.

Dai Ichi Kangyo Bank (DKB), the world's largest bank, admitted yesterday that it had "donated" Y1.3bn (\$8.9m) to its London securities subsidiary, DKB International, in order to disguise a loss of Y1.5bn for the year ended March, 1988 as a deficit of Y200m. Full Bank, Mitsul Bank and one other bank, which has not been identified, were also cited by tax authorities.

DKB said the donation was to ensure that the subsidiary's securities trading status was not harmed by the larger losses. It said there had been no intention to avoid tax. However, the Japanese Taxation Bureau has ordered the bank to pay an additional Y550m in tax - the bank reported a net profit of Y133.2bn in that year. We thought the transferred

money was tax exempt," a DKB official said. "There had been no case under which a transfer tax law had been applied, and so we did not think it applied to our case. It was a matter of opinion."

The official described the plight of the London subsidiary

By John Wicks in Zurich

SWISS INVESTMENT fund

assets at the end of June 1989 totalled SFY39bn according to the Swiss national bank. This was 11 per cent higher than the level registered for mid-

The number of individual

funds increased over the period as additional equity funds came into operation. Total fund numbers rose from 174 to

191 with the number of prop-erty funds holding steady at 33. At the end of June there

were 114 foreign funds with representatives in Switzerland

Swiss fund assets up 11%

as an emergency. A big crisis

as an emergency. A big crisis like that comes once every 50 years," he said.
He added that the decision was made to reduce the book losses in London lecause "we did not want the customers of our securities firm to worry."
Fuji Bank transferred cutprice securities in subsidiaries in London and the Cayman Islands, which later sold them at market price to raise profits of Y200m for the former and Y600m for the latter.
The tax agency ordered the

The tax agency ordered the bank to pay a total of Y380m in extra tax for the year to end

March 1988.

A Fuji Bank official said the tax burean bad been approached prior to the trans-fers but "their answer was not clear," and so "we judged that there was not a problem." He said that the validity of the sen mat the valinty of the nswly-assessed liability remains "a matter of opinion." Mitsui Bank, which last wesk announced a plan to merge with Taiyo Kobe Bank

to form the world's second largest bank, has to pay addi-tional tax of Y150m after hav-ing transferred Y300m profits from Tokyo to cover some of the bond trading losses of Mit-sui Finance Asia, its Cayman-registered Hong Kong-based subsidiary.

A Mitsui official said the tax order was the result of a mis calculation by the bank.

compared to 101 a year earlier. The number of outstanding certificates in Swiss funds went up from 254.5m to 275.7m.

In the final three months of the year, bowever, redemptions rose to SFr1.28bn, comfortably

ontstripping the SFr1.11bn

accounted for by new money.

OZ Zurich options and futures has issued 350,000 put

warrants on registered shares of Union Bank of Switzerland.

This conveys the right to sell 11 per cent of all DBS regis-tered shares entitled to divi-

#### PORTS & PORT DEVELOPMENT

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The Financial Times.

**29 SEPTEMBER 1989** 

For a full editorial synopsis and advertisement details, please contact:

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**FINANCIAL TIMES** 

SE1 9HL

# Kansei seven-year straight dominates quiet trading

By Andrew Freeman

EUROBOND MARKETS were quiet yesterday, with a \$350m seven-year straight deal for Kansei Electric Power dominating restrained new Issue activity. Many syndication ing on deals likely to he launched early next week. Secondary trading was thin. The Kansei honds were

#### INTERNATIONAL BONDS

brought by Nomura with a 91/2 per cent coupon. At launch, the bonds offered a yield to maturity of 9% per cent, considered by many institutional investors to be generous. There was good nemand from European investors, while Japanese interest was also strong.

The paper was quoted hy Nomura at less 1.70 bid, inside full underwriting fees of 1% per cent. The launch spread of around 78 basis points over US
Treasuries was largely come, although there were unchanged as the Treasury some reservations expressed

**EQUITY GROUPS** 

& SUB-SECTIONS res in parentheses show number of stocks per section

3 Contracting, Construction (37) .....

22 Brewers and Olstillers (22) 25 Food Manufacturing (20)...

26 Food Retailing 114)..... 27 Health and Household 114) 29 Leisure (34)....

31 Packaging & Paper (15).... 32 Publishing & Printing (19) 34 Stores (32).....

48 Miscellaneous (26) .....

49 INOUSTRIAL GROUP (485)

59 500 SHARE INCEX (500)..

71 Investment Trusts (69) .. 81 Mining Finance (1) ......

FT-SE 100 SHARE INDEXA

FIXED INTEREST

91 Overseas Traders (8)

41 Agencies (17)..... 42 Chemicals (22)...

51 OII & Gas (15) ..

69 Property (50)... 70 Other Financial (31)

PRICE INDICES

l | 5 years ..

5 All stocks

British Govern

2 5-15 years ....

62 Banks (9) ..

1 CAPITAL GOODS (208) ..

**NEW INTERNATIONAL BOND ISSUES** Borrower US DOLLARS Kansal Electric Power(e) ♦ Mitsui & Co. Int(Europe)(a) ♦ MCA Inc.(b)§ ♦ Book FURDET FRENCH FRANCS e% 1012 13 1994 Credit Lyonnais World Bank(c) ◆
Fed.National Mortgage Corp.◆ SWISS FRANCS
Japan Electronic Computer\*\*
Mentic Corp.id)\*\*
Kolke Sanso Kogyo(e)\*\*
Tanifuji Machine Ind.(f\*\* 101 3 100 100 100 Banque Paribas (Suisse) Royal Trust Bank (Switz) Wirtschäfts-und Privatbk Citicorp Inv. Bank 1996 1993 1994 1993

\*\*Private placement. §Convertible. ♦ Final terms. ♦ With equity warrants. a) Non-callable. b) Coupon fixed as indicated. Call at par after 5 years and ennually thereafter, c) Dalmyo band issue, d) Indicated yield to put 3.865%. e) Indicated yield to put 4.096%. f) Yield to put 3.609%. g) Coupon cut by ¼ % from indication.

100

1993

14

150

market enjoyed a small rally. The proceeds were swapped into fixed-rate yen by IBJ International to achieve what trad-

D-MARKS

Yamatane Corp.(g)

ers said was a very attractive all-in funding cost. According to co-managers, the pricing of the deal was wel-

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times,

the Institute of Actuaries and the Faculty of Actuaries

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Mon Sep 4

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about the delay between news of the deal and the offering of final terms to underwriters. There was speculation that the delay of several days was caused by disagreement between Nomura and IBJ on the pricing. As lead manager, Nomura was apparently anxious to price, the deal to ensure

Fri Sep 1

Index No.

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its appeal to institutions, thereby making it likely to trade competitively on the secondary market.

24/13 Nomura Europe

On the other side, IBJ, which wrote the swap, was keen to see tight issue terms so that it could extract more economic terms from the swap market. Salomon Brothers fixed the

EQUITIES

terms of its \$200m convertible issue for MCA and was quoting the bonds at 99% bid, inside

full underwriting fees.
In Switzerland, a string of small convertible issues had good receptions and traded at premiums to their par issue prices.
The IADB SFr300m two-

tranche issue began trading on the secondary market, and was given a rough reception as grey market prices continued their recent fall. The 10-year tranche opened at less 3 bid, but improved slightly to trade at less 2% bid, while the 15-year tranche fell % point from Monday's close to trade at less 3 bid. After a good initial reception, demand for the paper fell away as investors expressed worries about rising interest rates.

In Germany, prices of sec-ondary market Eurobonds fell by around 30 pfennigs, with the recent World Bank 5% per cent issue falling from 98.10 bid to around 97.80 bid amid some selling pressure.

# **LONDON MARKET STATISTICS**

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# LONDON TRADED OPTIONS TALLS PUTS Of the Option Spiller . Bet den Apr Stil den Apr Alla Lyors 550 57 55 74 16 25 33 Storebase 130 22 26 28 2 5 6 7600 20 22 30 34 4 51 7 (7561) 600 13 32 47 45 53 56 (148) 140 14 18 22 44 7 85 (224) 220 9 16 21 13 14 16

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FINANCIAL TIMES

Index-Linked
Inflation rate 5%
Inflation rate 5%
Inflation rate 10%
Inflation rate 10% 2.97 3.50 2.18 3.33 2.91 3.48 2.12 3.31 3.45 3.92 2.40 3.75 5yrs. Over 5 yrs. 5 yrs. Over 5 yrs. -0.14 140.79 6 5 years ..... 2.26 139.27 -0.25 139.62 2.66 8 All stocks . 139.25 -0.24 |139.59 13.07 11.64 11.21 12.89 11.60 11.14 11.40 11.24 11.14 TRADITIONAL OPTIONS 114.75 -0.08 114.85 6.87 First Dealings
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 Last Declarations
 For settlement Cluff Res. Termaris, MB Group, Ford Seller Morris, Regentorest, Stormgerd, Claremont Pel, Mor-gan Grentett, Geers Cross, Tus-ker, Stonehili, Puts in Coloroft. P/ 89.33 -0.01 89.34 ● Last Dealings Sep 8
● Last Declarations Nov 23
● For settlement Dec 4
For rate indications see end of 3.92 10.19 10.16 10.07 adpenting Index 2420.0; 10 am 2417.7; 11 am 2414.1; Noon 2410.5; 1 pm 2410.7; 2 pm 2411.8; 3 pm 2414.4; 3.30 pm 2414.8; 4 pm 2417.4
(a) 4.32pm (b) 12.08pm of Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is awailable from the Publishers. The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. on Share Service

#### UK COMPANY NEWS

# IMI profit lifted by foreign spread

By Richard Tomkins, Midlands Correspondent

IMI, the Birmingham-based industrial group, surprised the City yesterday with a 24 per cent increase in pre-tax profits to £60.1m (£48.5m) for the six months to June. There had been fears that

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the company's long run of strong profits growth might be dampened by inflationary pressures and high inferest rates in the UK.

Mr Gary Alleu, managing director, said: "It just shows that you can keep up the momentum of profits and volume growth in spite of high interest rates and the per-ceived gloom."

The shares put ou 12p to

251p.
IMT's profits growth mirrored a 24 per cent rise in sales from £434m to £540m. Rarnings per share rose 21 per cent to 12.1p (10p) and the interim divi-dend has been raised at the same rate from 3.15p to 3.8p. Mr Allen said IMT's ability to maintaiu strong growth against an unfavourable back-ground illustrated its success in reducing its susceptibility to

the UK economic cycle.

Just over 50 per cent of IMTs sales were now overseas, he said. "The boom in West Germany has had much more effect on us than Britain's ris-

ing interest rates." Sales rose across all divi-sions, with about 10 per cent of the increase attributable to exchange rate benefits and the rest to a combination of higher



Gary Allen: reduced susceptibility to the UK economic cycle

which increased profits from 28.3m to 210.5m. It had earlier looked susceptible to the down-turn in the UK housing mar-

£17.5m.

Mr Allen said the wide geo-graphical distribution of IM's building products, together with the division's orientation towards the commercial sector, had protected it from the worst Reductions in the cost

copper prices, acquisitions and genuine volume growth.

The strongest, and most surprising, advance came in the building products division that the building products division to be a strongest and most surprising, advance came in the building products division to be a strongest and most surprising, advance came in the building products division to be a strongest and the strongest and the

market bùt enjoyed buoyant neries were working flat out to demand in Europe amid warm weather conditions. Its profits meet strong demand from the aerospace industry, and in particular from Rolls-Royce. rose from £10.5m to £11.5m. The fluid power division, making pneumatic equipment for industry, saw a softening of UK demand, but only 25 per cent of its sales are in Britain. Demand held up in the rest of Europe and the US, taking profits up from £14.6m to £17.5m.

Sir Eric Pountain, IMI's new on-executive chairman, said although inflationary pres-sures and high interest rates in Britain warranted some caution for the second half, IMI's product portfolio, geographic spread and sound balance sheet provided an excellent base for the short and longer

#### **BASE METALS**

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FINANCIALTIMES

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DIVIE	DIVIDENDS		UNCE	D	
	Current payment	Date of payment.	Corres - ponding dividend	Total for year	Total last year
Adscene Groupfin		Oct 17	2.8 .	6.	4.3
ADTint	- 5.955	Jan 5	4.9	-	15
Beattle (James)int		Nov 1	1.1	. •	4.5
BookerJint		Jan 2	. 6	=	16
Brammerint		Oct 19 -	4.5	- '	13
Cantorsfin		Nov 9	1.5	3	2.25
CRHint		Oct7	1.5	•	4,5
Fairey GroupInt				· -	-
Gowringsint		Nov 9	: 2.34	~ <b>.</b>	4.5
HosteirInt		Jan 2	3	-	7.6
Home Count Newsint	2,5	Oct 16 .	1.875*		6.
IMIint		Oct. 16 .	3.15		8.15 -
Intl Colour Mgt	0.95	-	. 0.8	1,45	0,8
Lopexint	2,9	Oct 27 .	24	-	6
Metal Closuresint	2.35	Dec 1 .	2.35		8.15
Olives Holdingsint		-	nii.		nfi:
Osprey Commafin	2_4#	Oct 24	2	3.6	3 .
Pearl Groupint	7.5	Oct 20	. 6		15
Peeknt	1	Jan 4	0.9	_	3 .
Peters (Michael)	2	Dec 15	2.2	3.7	3.7
Provident Fincl	7	Nov 9.	8		18
RopnerInt	3 .	Dec 29	3		7.25
Sedgwick Groupint		Oct 27	4. 4		12-
Severfield-R'vesInt	1	Oct 39	0.75		2.75
Systems Rolleb	0.75	Nov 1	llg	<b>-</b>	. 1
Taylor Woodrowint	1.75	Oct 3	1.5	W	7.5
Tozer Kemaleyint	1.5	Confidence of	7. 12 tele		3.84

Wyovale Gardon S...int 1.8 Oct 27 1.4 Dividends shown pence per share net except where otherwise stated: "Equivalent after allowing for scrip leste, for capital increased by rights and/or acquisition issues. \$USM stock, \$\$\text{St/inquoted}\$ atock, \$\text{\$Third}\$

#### The Financial Times proposes to publish the following surveys in 1989:

23 August : Zimbabwe 28 September : Botswana 4 October : Lesotho 24 October \_ : Zambia

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**FINANCIAL TIMES** 

Six months ended 30 June 1989

Turnover up 45% to £6,196,000 Profit up 77% to £946,000

Earnings per share up 57% to 6.47 pence interim dividend up 33% to 1.00 pence

The level and quality of enquiries for fabricated steelwork remains high, with the current order book higher than ever before. A second production line is now operating providing a total annual production capacity of 20,000 tonnes. The directors are confident for the remainder of the year and beyond, with the company well placed to compete for larger

The interim report is available from the Secretary, Severfield-Reeve Pk.
Dalton Airfield Industrial Estate, Dalton, Thirsk, North Yorkshire YO7 3 IN.



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Balance sheet to be strengthened via two part share issue to raise £272m

# ADT surges 32% to £68m at six months

ADT, the electronic security systems and car auction group, increased interim pre-tax profits by 32 per ceot to \$105.8m (£68.2m). ADT is also strengthening its balance sheet with a

two-part share issue which will raise up to £272m.

Laidiaw Transportation, the Canadian-based school bus and waste management company, is subscribing for half the total to raise its stake in ADT's ordito raise its stake in ADT's ordinary shares from 24 per cent to 28 per ceot. The other shares will be offered to ADT's ooo-North American sbarebolders in the first such issue since the former Hawley Group moved its domicile to Bermuda at the

end of 1984.

The shares are being offered at 203p, compared with yesterday's closing orice of 211½p, up 2½p. Laidlaw bought most of its research table in April at of its present stake in April at a price of 180p. Mr David Hammond, finance

director, said it was an "oppor-tune" moment for the issue which, if fully sobscribed, will increase ADT's tangible net worth to more than \$1.2bn.

He denied, however, that any large acquisitioo was immi-nent. "We are creating more flexibility but we doo't have aoythiog specific io mind today," Mr Hammood said. ADT has pared itself to two core activities through the dis-

posal of lower margin main-

teotance operations. This coabled it to increase pre-tax profits in the six months to June 30 from \$80.1m in the 1988 half, even though turnover fell by 27 per cent to \$667.8m (\$915.8m).

(\$915.8m).

This means ADT's operating margin has soared from 9.1 per cent to 15.4 per cent in the space of a year. More improvement is still to come as the first balf contained about \$150m of sales from discootinged extinition. ued activities.

ADT reported satisfactory tradiog from both divisions. Security was benefiting from high-volume sales to residential customers and from consolidation of central monitoring stations. With 350,000 residen-tial and commercial customers, ADT is the world's largest electronic security group.
In motor auctioos, where

ADT also claims world leader-ship, UK activity was helped by the mild winter and strong demand for used vehicles. A computerised vehicle manage-ment facility for trade buyers had been well-received.

The share of earnings from associates slipped to \$14.2m (\$15m), belping ADT's tax charge to fall from 12.2 per cept to 9.6 per cent. Gains on disposals produced an extraor-dinary credit of \$71m (\$61.5m). Earnings per sbare were ahead by a third to 12.4 cents (9.1



Michael Ashcroft, chairman-president of ADT

cents), and by 24 per cent to 11.3 cents (9.1 cents) on a fully diluted basis.

The interim dividend is in the form of a one-for-47 scrip, worth 6.9 cents at yesterday's share price and exchange rate. Last year's interim scrip was oo the same basis, but was

worth 5.04 cents when it was declared. ADT shareholders can opt for a cash alternative

of 5.9 cents (4.9 ceots).
Shareholders will be able to apply for an unlimited number of ADT shares, although appli-cations are subject to being scaled down. The open offer is

not underwritten. ADT said Laidlaw could sobscribe for any which were not takeo up, subject to increasing its maximum holding to 29.9 per cent. Any shares not subscribed for will not be issued.

#### Michael Peters margins trimmed

Micbael Peters, the USM-quoted design and com-muoications coosultaocy, announced an improvement of 10 per ceut to £2.34m in pre-tax profits for the year to June 30. Sales more than doubled, from £22.53m to £45.82m.

Difficulties in the North American market, foreshad-owed in April's interim statement, were responsible for the sharp cootraction in margins. The chairman, Mr Michael Peters, said the UK operations produced strong organic growth. He predicted that all the businesses would make progress in the current year with the full impact of recovery in the US coming through

in 1990-91. Earnings declined from 14.13p to 11.07p. The proposed final dividend is cut to 2p (2.2p) for a maintained total of 3.7p.

Turnover

Profit before tax

Earnings per share\*

Dividend per share\*

\*1988 - after adjustment for the capitalisation issue in 1989

# Pentos held back by consumer spending

By Rachel Johnson

PENTOS, the retail and office furniture group yesterday managed interim pre-tax prof-its of £2.7m, an increase of 12 per cent from the same period last year, despite the fall in coosumer speoding in the retail sector.

The company also announced an issue of shares at 116p to raise £3.94m - initially to reduce bank borrowings, then to finance a £7m acquisitioo of an academic book retailing outlet. Peutos shares closed 1p lower at 121p.

Mr Terry Maher, chairman, who is leading the campaign to abolish the net book agreement (which allows publishers to set minimum retail prices for most of their books), said the squeeze on consumer spending meant his short-term expecta-tions were "cautious." However, the four specialist

retailing arms, Dillons Bookstores, Athena poster and book shops and the Ryman stationery chain, all continued to be stroog performers in their fields except Ryman, he said.

They returned a 30.7 per cent increase in trading profits to £1.7m oo a 23.6 per cent rise in turnover to £45m. Opening five large new Dillons bookstores during the year boosted hook during the year boosted book sales by 39 per cent from the six mouths last year. This was in the face of "odd trading con-ditions" caused by good weather and transport strikes in London, Mr Maher said.

TAYLOR

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"The results for the first half of 1989 are indicative of the

"Your company continues to prosper through its balanced

overall strength of the group's worldwide operations. Profits

mix of core businesses and your board is confident of the

Extracts from the statement by Sir Frank Gibb, Chairman & Chief Executive.

group's prospects for the current year and for the future."

Interim Results

(unaudited)

30 June 1989

£640.9m

£ 43.2m

8.6p

1.75p

6 months ended

30 June 1988

£551.1m UP

£ 34.0m UP

1.5p **UP** 

26%

17%

were especially strong in our overseas companies."

Sales worldwide for Athena were more than 30 per ceut ahead of last year, but Ryman showed no improvement. Mr Maher attributed Ryman's continuing weakness to the per-sonal organiser — a product in "rapid decline" — and a drop in the sale of business machines. Office furniture was once again Pentos's "jewel in the crown," with profits up 46 per cent to

Fully diluted earnings per share were 2.1p (1.9p). The interim dividend is 0.5p (0.4p).

Mr Maher yesterday skipped repeating his long-term goal, which is to earn a "significantly better than average" return on investment. This may be because full-year profits are expected to reach

£12.5m, for a prospective p/e of 13, which some in the City rate as too high, with no compen-sating yield attractions. None the less, Mr Maher is still very keen to maintain his vigorous expansion of Dillons and will restart expansion of the weakest performer, Ryman, in 1990, While WH Smith's acquisition of Waterstooes could have made Mr Maher's ambitions to

take a larger slice of the book market seem less attainable, observers agree that Mr Mali-er's hopes of lifting his market share from 6 per cent to 15 per cent in 1993 are not entirely vain ones. But the potential dangers in his means of achieving that goal were highlighted by his recent row over credit with Mr Robert Maxwell's pub-lishing houses.

# **Bankers Trust** can act as **Bowater adviser**

A High Court judge last night overturned an injunction pre-venting Bankers Trust Interna-tional from advising Bowater Industries, the packaging and industrial products company, hidding \$252m for Norton bidding £382m for Norton

Norton, a print and packag-Norton, a print and packag-ing group, obtained a court order from the same judge on Monday, and was seeking dam-ages for breach of confidence against Bankers Trust. Norton has the right to appeal against the decision within 48 hours. Last year Norton approached Bankers Trust to discuss a pos-sible deal and made certain

projections about the compa-ny's growth available to it. Norton was trying to recover from Bankers Trust, Bowater and Morgan Grenfell - the packaging company's other adviser - "all copies of all documents or confidential infor-mation of Norton Opax received or obtained by Bankers Trust International in con-nection with its work on behalf

of Norton Opax."

Bankers Trust, which was unavailable for comment yesterday, advised Bowater when the packaging groop first bought a 26 per cent stake in Norton in January. Mr Norman ireland, Bowater's chairman, said on Monday that Bankers Trust had been retained as Bowater's adviser because of its involvement in the original

share purchase. The Takeover Panel was asked to rule on a similar situation two years ago, when Molins attacked Schroders for advising hostile bidder Tozer Kemsley Millbourn within 18 months of acting for Molins

months or acting for mouns executives on an unsuccessful institutional buy-out.

The Panel ruled that Schroders should continue to advise TKM to avoid unnecessary discontinue for Marchael ruption for Molins shareholders, and added an appendix to the Takeover Code warning that corporate finance departments might have to decline assignments in the event of a serious conflict of interest.

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# **Booker** profit static at £30m

By Clare Pearson

BOOKER, the international food, agriculture and health group, weathered mixed condi-tions during the first half of the year to produce pre-tax profits of £30.3m, up from £29.1m.

Earnings per share fell from 13.6p to 12.1p. They were held back by the 1988 rights issue to finance the purchase of the Linfood cash and carry busi-ness, which has a strong secness, which has a strong second half bias. The interim dividend is set at 6.5p (6p).

Group turnover rose to \$1,045.1in (£621.5m). The tax charge fell from 33 to 26 per

A Norwegian salmon har-vest which is set to double in the course of the year to about 160,000 tonnes was the main factor leading to a disappointing performance by the agri-business division. The total European Community market is for something under 160,000 tonnes per annum, according

A heavy push into protein crops proved misguided in the face of EC policy, while there were delays in obtaining planming approval for the moderni-sation of mushroom producing capacity. Agribusiness profits fell from £19m to £12.3m.

However, the integration of the Linfood Cash and Carry business, together with strong performances from the special-ist wholesale food and food services companies helped the food distribution division to pre-tax profits of £8.1m (£2.3m).

An improvement at the trad-ing level in the health prodacts division was masked at the pre-tax line by the inclusion in the comparable figures of noo-recurring items. COMMENT

After last year's poultry problems in the US, this year it has been the turn of UK agribusinesses to take a beating. Although this is the way of commodities, you could say Booker is beginning to look accident prone. At the least, it will definitely not want to be will definitely not want to be producing any disappointments in 1990. That is the year when investment in areas such as mushroom production is expected to be coming good, and the integration of the Linfood acquisition, for which Booker made a big provision in its 1988 accounts, should be feeding through into strong. feeding through into strong growth. This full year, Booker says it is hoping that it will get some improvement in earn-ings per share, though everything hinges on the crucial final quarter trading. But assuming earnings edge up a fraction, on pre-tax profits, including property profits, of around £93m, the shares stand on a prospective p/e of nearly
12. Their performance has
long been uninspiring, but
should be more interesting when the market starts

looking at next year's develop-

# Panel decides on Hoylake request

THE EXECUTIVE of the Takeover Panel yesterday made a decision on the request by Hoylake, the consortium making the £13.5hn takeover offer for BAT Industries, for an extension to the normal 60-day

timetable.
Following two weeks of deliberation, the executive is believed to have recommended that a full hearing of the Takeover Panel should decide on whether an extension is justified. fled. However, sources in the City

said that the executive has ruled against Hoylake on its claim that BAT is frustrating the bid by employing delaying tactics in the US.

This decision is almost cer-

tain to lead to an appeal by Hoylake against the decision before a full meeting of the

Hoylake made the request for an extension because of the need to receive approval from US state insurance commis-sioners for a change in owner-ship of Farmers — BAT's US insurance operation — which is a potentially protracted pro-

The company has also agued before the panel executive that BAT has attempted to frustrate the offer by employing delay-ing tactics in the US.

Hoylake made a submission to the Panel two weeks ago for an extension for the offer, which was formally launched

on August 8.

RAT has told the Panel that the timetable is a fundamental part of the takeover rules and part of the takeover rules and should oot be altered when the delays created through the need for US regulatory approval were foreseeable before the bid was amounced. Sir James Goldsmith, the Angio-French financier heading the Hoylake bid, said last week that the failure to gain the extension would make victory "much, much more diffitory "much, much more diffi-

The introduction to the Panel's Code gives the executive the right to make direct references to the full Panel when it considers that there is a particularly unusual, important or difficult point at

# Brammer cautious after interim profit up 3.5%

BRAMMER, the industrial service group, yesterday announced a 3.5 per cent rise in its interim profits and expressed caution about its immediate future.

Pre-tax profits increased 3.5 per cent from £6.50m to £6.73m for the six months to June 30, with turnover on continuing businesses up 11.9 per cent to £60.27m (£56.54m).

Mr Jon Foulds, chairman, said he viewed the immediate future with some caution because of pressure on margins and alowing market growth.

BSL, the core distribution company, suffered from a slowdown in the UK small order and replacement market for industrial components, although this was tempered by its recent decision to broaden its product base. As a result industrial components other than bearings account for over 45 per cent of BSL's sales com-pared with 29 per cent in 1980. This business was also affected by the move by hear-ings manufacturers towards a common European pricing policy in preparation for 1992. Consequently price increases in the UK replacement bearing market have been below inflation, putting pressure on the margins of UK distributors. BSL is increasing its prices by 3 per cent, compared with a rise in costs of close to 10 per

The rental business, which put up a poor showing in 1986 and 1987, showed an improved performance, particularly in the UK. Substantial manage-ment effort was still required in France and Germany to improve its profitability, the

company said.
Sales increased by 21 per cent at Master Pumps, based in Dallas. BSL Engineering and Brammer Mecanique posted a strong profit performance. The company confirmed its

sale of Pope Machinery for \$4m. It took the business's £61,000 loss as an extraordinary item, since it deconsolidated its result from the time it

decided to make the sale.

Earnings per share increased from 10.0p to 10.1p. The dividend was unchanged at 4.5p.

O COMMENT :

After Brammer's share price fell 13p to 249p yesterday investors must once again have rued the day four years ago when they rejected a 420p-per-share offer from Bunzl. The general lack of enthusiasm yesterday stemmed less from the interim results, which were much as expected, than from a dis-tinctly downbeat trading statement. Brammer's largest business appears to be caught in a tight margin squeeze as the attempt to level out bearings prices across Europe has coincided with a sharp rise in costs and a slowdown in its market. Elsewhere, however, the pic-ture looks somewhat brighter as Brammer makes progress on its European rental business and its pumps business in the US. That said, it seems unlikely to make more than filasm this year, which puts the shares on a p/e of 12. Aside from an element of bid speculation the only support for the price at this level is the yield of 7 per cent, which gives the shares a place in some high yield funds.

#### INTERIM RESULTS

Encouraging first half results Main points from the Directors' report:

Controlled growth in credit subsidiaries

Profitable development of insurance activities

Acquisition of Lynn Regis Finance, John Blundell & Lawson Fisher

Whitegates Estate Agency affected by housing slowdown

Mentor Interactive Training improves

Results at a glance

		UNAUDIT	ED	AUDITED
		HALF-YEAR TO 30th JUNE 1989 £7000	HALF-YEAR TO 30th JUNE 1988 £'000	FULL YEAR 1988 £'000
Turnover Group profi		212,588 9,268	180,451 8,073	417,735 28,155
Ordinary di Earnings pe	vidend per sbare r share	7.00p 11.94p	6.00p	18.00p

The Interim Report 1989 will be posted to shareholders on 5th October 1989. Copies may be obtained from the Secretary.

PROVIDENT FINANCIAL GROUP PLC, REGISTERED OFFICE, COLONNADE, SUNBRIDGE ROAD, BRADFORD, BDT 214

# A STRONG PERFORMANCE TAYLOR FROM A POWERFUL TEAM Achieved through free enterprise and teamwork

#### **UK COMPANY NEWS**

# Unanswered questions about Eagle Trust

Philip Coggan sets out the issues which remain unresolved by recent revelations

with Mr John Ferriday, former chairman and chief executive of Eagle Trust, the UK company at the centre of a Serious Fraud Office inquiry, appeared to confirm what other evidence had been suggesting for many weeks.

The Sunday Telegraph quoted him, from an undis-closed location outside the UK, as describing how Ragie loans were used to finance the purchase of its own shares and telling the story of the £18.5m apparently missing from Ragle

But Mr Ferriday's statements raised as many questions as they answered and provoked speculation that the SFO will need to widen its inquiries beyond the search for the £13.5m. Mr Ferriday has not responded, over several weeks, to Financial Times inquiries but these are among the issues which have yet to be resolved:

How exactly was the transaction organised?

Mr Ferriday, in his explanation of events, cited Automotive Industries (UK) as the vehicle through which funds were passed to Spring Penk

were passed to Swiss Bank Corporation, the organisers of the rights issue, which was: launched to fund the £48m purchase of Samuelson, the TV and film company. But SBC says it received payments of £13.5m on the instructions of Anser General Investments, a Panamanian registered com-pany. Who owned Anser? In addition, Mr Ferriday is

quoted as bailing out sub-un-derwriters — "genuine people, honest and trustworthy City people who did not deserve their fate" - from bankruptcy. Who are these people? Can

he weekend interview they confirm Mr Ferriday's version of events?

> Where are the shares now? Who now owns the shares that were acquired in the subunder writing support scheme? Have they been used as security for loans, as is believed by some involved in the Eagle

> The shares are believed to be held in the name of Standard Chartered Nominees, shown on the share register of July 1988 46.17m shares and 15.59m shares respectively, If Mr Ferriday personally

relieved the sub-underwriters of their commitments, as he stated in the weekend article. that would have left him with a minimum of 45m shares, a minimum of 45m shares, given that the rights shares were issued at 30p. However, Mr Ferriday is listed in the circular which announced the purchase of Samuelson as owning nearly 22m shares, as of November 5 1987. By the 1987 year end Eagle's annual report shows him as owning a mere 35m shares.

35m shares.
The totals that Mr Ferriday reported do not tally with his statements about the underwriting and there is no record of him declaring the purchase (or subsequent sale) of the shares, as Stock Exchange's rules, in the so-called Yellow Book, and the Companies Act 1985 required him to do.

What happened to Mr Ferriday's other business interests?
Mr Ferriday was reported as saying that "I taxed and raped had" to help ball out the subsingle source of funds l underwriters. Did this taxing and raping involve Paramount Airways, the company in which Mr Ferriday and Mr



hn Ferriday: his statements raised as many questions as

Smith had a controlling interest, and which has been placed in the hands of the administrators? The administrators say that several million pounds of funds cannot be accounted for at Paramount.

Should the Laforza transaction have been disclosed to share-holders?

Mr Ferriday was reported as saying that the outflow of £13.5m from Bagle was made

good by the injection of Automotive Industries (UK) -described in the article as "one of his private interests" which had acquired a haif share in Laforza, a car manu-facturer and distributor, for . This explanation is somewhat complicated by Mr Ferri-

day's reported statements that Eagle acquired only an option in AI (UK) and that the stake in Laforza was "worth far more than £13.5m." There is also the baffling statement in the article that Mr Ferriday retained the "\$9.8m liability himself as he had not paid for it." Did Mr Ferriday own Automotive Industries and the Laforza stake or not? If he did, then surely the purchase was a Class 4 transaction, as defined by the Yellow Book. A Class 4 transaction includes "an acquisition or disposal of assets by the company or any one of its subsidiaries from or to a direc-tor or substantial shareholder

Even an option to purchase AI (UK) would appear to fall under the description of "a transaction under which the company or any one of its subsidiaries is to take an interest in a company, whether existing or about to be formed, any part of the equity share capital of which has recently been, or is to be acquired, whether by subscription or otherwise by a

or an associate thereof."

director or an associate thereof." A Class 4 transaction, adds the Yellow Book, requires that a circular be sent to shareholders and that the transaction be approved at a general meeting of shareholders. In the case of Laforza no circular was sent or meeting held. If a circular had been sent then shareholders might have been able to judge, from Laforza's accounts, exactly how much the stake was worth.

What was the position of the other directors? Mr Ferriday is quoted as say-ing, in relation to the transfer of funds from Eagle, that "I purposely made sure no-one knew what I had done."

However, he is also reported as saying that his partner Mr Richard Smith "is aghast at what I did." When was Mr Smith told? Did he then inform the appropriate authorities? Mr Smith has so far declined to

If the other directors of Eagle accepted the explanation that monies had been used to acquire Antomotive Industries (UK) and thereby a stake in Laforza, what were they told about the ownership of AI (UK)? If they were told AI (UK) was owned by Mr Ferriday, why did they not insist on a circular because it was a Class

# **Disposals** bring in C\$50m for Tate

By Clay Harris

REDPATH INDUSTRIES, the Canadian sugar refiner taken into full ownership by Tate & Lyle, the UK-based sweeteners group, earlier this year, has sold three subsidiaries for C350m (£27.5m). The disposals had been planned when Tate paid £140m for the 49.9 per cent minority in Redpath.

Daymond Vinyl and Heart land, manufacturers of vinvl siding, were sold to Toronto-based Jannock, and Daymond Alumnium, which makes extruded aluminium products, was sold to Aluminart Products. Together, the operations made pre-tax profits of C\$7.2m

Redpath has yet to sell its considerably larger antomo-tive business, which makes injection-moulded plastic com-ponents for car interiors. This disposal is expected to be com-pleted before the end of 1989.

Cons Venture Trust

Consolidated Venture Trust announced pre-tax revenue of £110,000 (£41,000) for six months to July 31 1989. Net asset value was 370.3p (309.5p),

**Property Security Investment Trust** 

SCRIP ISSUE

DIVIDEND UP

Extracts from the statement by the Chairman, Mr. A. R. Perry. Profit before tax up from £5.8 million to £6.3 million.

- Total rents up from £9.3 million to £11.1 million.
- Additional phase of hi-tech units and office block at Chineham Business Park.
- Pre-let extension for Canon in Belgium well advanced.
- Group's investment properties up from £170 million to £232 million.
- Net asset value up from £1.85 to £2.50 per share.
- Dividend increased from 3.25p to 3.75p per share.
- Scrip issue 1 for 5.
- Directors expect to propose same dividend on increased capital for year to 31st March 1990.

#### Results for the year ended 31st March 1989

£000's	1989	1988
Rents receivable	11,117	9,259
Net property income	10,256	7,957
Profit before tax	6,317	5,833
Ordinary dividend per share	3.75p	3.25p
Share capital and reserves	192.320	143,987

Copies of the complete Report and Accounts may be obtained from G H Caines Financial Director, Fetcham Park House, Lower Road, Fetcham, Surrey, KT22 9HD.

# TKM hits £21m but warns on outlook

By John Thornhill

**建杂物物医**标

TOZER KEMSLEY & Millbourn (Holdings), the motor distributor in which Sir Ron Brierley's TEP has a 67 per cent holding, lifted pre-tax profits by 19 per cent from £17.85m to £21.24m in the half-year to June 30, helped by continuing strong

demand in all its markets. However, the company warned that high interest rates were beginning to affect trad-ing conditions and it expected a levelling off of sales after Attention

August. Mr Reg Heath, chief execu-tive, said he thought national car sales in August might have tipped the half million level.

"For the rest of the year, I think the market will remain buoyant but margins will come under more and more pressure as manufacturers try to get their cars sold. That will lead to reduced margins but fantastic deals for customers," he

In April, TKM acquired the exclusive distribution rights for Subaru in Australia. TKM already owns a Ferrari agency in the country and is planning further expansion.

interests in France were disrupted by relocation. Although this had an impact on short term profitability, Mr Heath said it would enable TKM to

over a quarter of its profits from overseas interests.

Turnover was up by 9 per cent to £516.21m (£475.21m) and an exceptional gain of £1.7m resulted from the sale of

The interim dividend has been raised by 50 per cent to 1.5p. Earnings per share grew to 5.9p (4.9p — adjusted for a

O COMMENT

TKM is one of the higher rated stocks among motor distributors and yesterday's results give an indication of why this spread of interests, both in geographical and market terms, gives a more solid defensive gives a more solid defensive edge than most motor groups can show, and this will become of increasing value as times grow sticider. Sales in August, according to TKM, were strong, but several indications would seem to suggest that the much-heralded slump in car sales will finally arrive in September. TKM cannot expect to amore unscathed but it still emerge unscathed but it still might emerge less bruised than others. Another factor that will During the period, TKM's help support TKM in the mar-nterests in France were dis-ket is IEP's holding which has been creeping up again of late. Sir Ron Brierley's mysterious machinations are as opaque as ever but they can do no harm expand further on the Continent in the future. TKM currently runs eight retail dealerships in France and derives

to about £51m giving a prospective multiple of around nine.

# **NEWS DIGEST**

# Ropner boosted by dry weather

PROFITS OF Ropner, with interests in engineering, garden products, insurance broking, property development and shipping, rose from £2.58m to £2.58m pre-tax for the half year ended June 30.

Turnover was down marginally from £30.75m to £29.95m.

ally from £30.75m to £29.95m. Earnings worked through at 7p (5.8p) and the interim dividend

of May and June boosted sales of the garden products division (profits here rose from £1.72m to £2.01m) and shipping benefited from an improved freight market and a contribution from the Scruttons associate the division's profits rose from £565,000 to £1.35m.

Engineering showed improved results, reflecting the absence of losses accountable to Airtech, but conditions remained difficult in insurance broking and the division will not have a profitable year.

#### All-round organic growth at Gowrings

All-round organic growth, with good progress in its motor division and the leisure division having an exceptional first half, saw Gowrings lift pre-tax profits 69 per cent from \$301,000 to \$510,000 in the first

Turnover in motors climbed from £22.57m to £28.07m while leisure advanced from £1.76m to £2.31m. Mr John Fowles, the to £2.31m. Mr John Fowles, the chairman, said the existing businesses were well organised and soundly managed and the group looked forward to continued organic growth. It also intended to accelerate development through acquisitions and a number of possibilities were being artively considered.

Tax was £168,000 (£91,000) leaving earnings of 5.50 (3.40).

leaving earnings of 5.5p (3.4p). The interim dividend is 2.25p (2.34p) but a final of not less than 3.375p is forecast to make a total of 5.625p (4.5p). The £1 shares were admitted to the Official List in June following a placing of 2.75m new ordinary at 160p each.

#### Beattie checked by spending downturn

With trading profits adversely affected by reduced consumer spending, James Beattie, department stores operator, benefited from a doubling in interest receivable and so emerged with pre-tax profits up 10 per cent from £2.35m to £22.59m in the half year to July

The directors said the long hot summer and the refurbishment of the Wolverhampton store also contributed to the trading downturn. Trading profits declined from £1.69m to £1.38m but interest receivable rose from £656,000 to £1.22m. After tax of £908,000 (£822,000) earnings per share came out at 3.64p (3.31p). The interim divi-dend is increased 1.2p (1.1p).

# ADT INTERIM RESULTS

"Significant strengthening of the balance sheet has been achieved by a very positive earnings performance, the injection of new capital and the disposal of the remainder of the Company's maintenance activities"

Michael A. Ashcroft Chairman and President

to June 30 1989	Unaudited 6 months to June 30 1989 US\$m	Unaudited 6 months to June 30 1988 US\$m	Audited year ended December 31 1988 US\$m
Income before income taxes	105.8	80.1	219.0
Net income	166.6	131.8	301.3
Shareholders equity	831.1	415.3	533.0
Fully diluted earnings per common share	11.3c	9.1c	26.0c



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#### **UK GOVERNMENT ECU TREASURY BILLS**

For tander on 12 September 1989

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 900 million nominal of UK Government ECU Treasury Bills, for tandar on a bid-yiald basis on Tuesday, 12 September 1989. An additional ECU 50 million nominal of Bills will be eflotted directly

2. The ECU 900 million of Bills to be issued by tender will be dated 14 Saptember 1989 end will be in the following maturities:

ECU 300 million for maturity on 12 October 1989 ECU 300 million for maturity on 14 December 1989 ECU 300 million for maturity on 15 Merch 1990

3. All tenders must be made on the printed application forms evaileble on request from the Bank of England. Completed application forme must be lodged, by hand, at the Bank of England, Securities Offica, Threedneedle Street, London not later than 10.30 e.m., London time, on Tuesday, 12 September 1989. Payment for Bills allotted will be due on Thursdey, 14 September 1989.

Each tender et each yield for eech maturity must be made on e seperete epplication form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

Tenders must be made on e yield besis (calculated on the basis of tha actual number of daye to meturity end e year of 360 days) rounded to two decimal pleces. Eech epplication form must state the maturity dete of the Bills for which epplication is made, the yield bid and the emount tendered for.

6. Notification will be despatched on the day of the tender to epplicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in globel form to their account with Euro-cleer or CEDEL, Bills will be credited in the relevant systems against peyment. For epplicants who have requested definitive Bills, Bills will be evailable for collection at the Securnies Office of the Benk of England efter 1.30 p.m. on Thursday, 14 September 1989 provided cleered funds have been credited to the Bank of England's ECU Treesury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Heys Lane, London SE1 2HA. Definitive Bills will be evailable in emounts of ECU 50,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangaments for tha tender ere set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill Programme Issued by the Bank of England on behelf of Her Mejesty's Treasury on 28 March 1989. All tenders will be subject to the provisions of that Information Memorandum.

9. The ECU 50 million of Bills to be allotted diractly to the Bank of England will be for maturity on 15 March 1990. These Bills may be mede aveileble through sale and repurchasa transactions to the market makers listed in the Information Mamorandum in order to facilitate

10. Copias of the Information Memorandum may ba obtained et the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 196B as amended.

Bank of England 5 September 1989

## **UK COMPANY NEWS**

# Cash from flotation helps boost Fairey to £6.03m

FAIREY GROUP, the specialist FAIREY GROUP, the specialist engineering group which joined the market in November, yesterday announced a 47.6 per cent rise in pre-tax profits from £4.08m to £6.08m for the six months to July 1. Turnover increased by 5.8 per cent from £49.18m to £42.49m. At the pre-tax level, the results benefited from the cash raised in the flotation and strong cash flow which helped

stroog cash flow which helped turn last year's £1.09m interest charge into e credit of £56,000. Operating profits rose by 26 per cent to £5.97m (£4.74m).

The results reflected strong performances from the electronics and electrical power division which increased operating profits from £2.27m to £3m and from the filtration and specialised ceramics busiand specialised ceramics obsi-ness which increased operating profits from £1.28m to £2.21m. However, the aerospace and defence division suffered a fall in operating profits from £1.19m to £762,000. This result, which was described as "3 lit-

which was described as "a lit-tle disappointing," reflected slack sales and margin pres-sures. It also reflected a "pru-dent" approach to certain con-tracts and the closure of a factory, which has reduced the number of operating sites from



Derek Kingsbury - looking for further acquisitions

Fairey, which was founded in 1915, was the subject of a management buyout from Pearson, the diversified group which owns the Financial Times, in late 1986.

Mr Derek Kingsbury, chairman and group chief executive, said that the group continued to look for acquisitions in North America and Europe, particularly in the electronics

and electrical power sector.
Earnings per share increased
by 39 per cent from a pro forma 8.4p to 11.7p. An interim dividend of 2.4p was declared.

O COMMENT.

Investors who piled into Fairey last November have seen their shares move off to a good start. They have risen from an issue price of 155p to 253p in July, helped by a brief spell of bid chatter and "green" fervour, which latched onto Fairey's involvement in drinking water filters. The price then fell back until vectorday's better than until yesterday's better-than-expected results sent them up by 12p to 224p. Analysts were impressed by the strong mar-gin improvements from the it should produce profits of about £11.5m, which puts it on an appropriate rating of 10.

two largest divisions, which offset a disappointing performance from the aerospace and defence division. Given its reli-ance on the military sector, matters in this division are not expected to improve greatly although actions taken by new management should yield ben-efits next year. Elsewhere how-ever, it is in solid growth markets and to a large extent it is insulated from the effects of an economic slowdown. This year,

#### coming to market with a £30m tag By Clare Pearson REG VARDY, a motor dealer

Reg Vardy

REG VARDY, a motor dealer based in the north east of England, is coming to the main market early next month via a placing that will value it at about 230m.

The placing will raise between 57m and 28m. All of the proceeds, bar about £350,000, will represent new money for the company.

Vardy, which retails both specialist and volume cars from 15 locations, made pretax profits of £3.81m (£2.4m) on sales of £93.32m (£64.25m) in the year to end-April.

Mr Peter Vardy, chairman, admits that this seems an unusual time to seek a listing, given widespread expectations of a downturn in the UK car market. "But acquisition opportunities are coming thick and fast at the moment," he said yesterday. He added there seemed to be an increasing trend of individual dealerships being acquired by larger

groups.

The specialist division holds franchises for Rolls-Royce, Aston Martin, Ferrari, Jaguar and BMW. In volume cars, it concentrates on Ford, Vaux-bil and Royer as well as Fig. hall and Rover as well as Fiat, VW/Audi and Renault.

It is keen to build up both after-market sales, which accounted for about 35 per cent of gross profits last year, and sales of used cars. The company's origins lie in a Durham-based handage busi-

ness which Mr Vardy's father began turning into a car retailing concern in the In 1982, through a demerger

of the haulage side, Mr Peter Vardy bought out his two brothers.

Downturn at

# Lopex makes £6m acquisition as profits rise 23%

By John Thornhill

LOPEX, the advertising and communications group, yester-day announced at 55m acquisi-tion to expand its UK activities and a a placing of shares to raise \$2m in cash; It also unveiled a 23 per cent increase in interim pre-tax

profits to £3.39m, although it said the result had been affected by the deferment of some consumer advertising and high interest rates.

Loper is to buy Rex Stewart, a privately-owned communica-tions group with interests in advertising and human resources. The acquisition will

resources. The acquisition will make Lopex one of the three largest recruitment advertising groups in the UK and strengthen its regional interests in consumer advertising and direct marketing.

Rex Stewart incurred losses before tax of £533,000 in the year to March 31 after making record profits of £1.68m the year before. Exceptional costs of £1.36m resulting from losses at its Manchester office and reorganisation expenses were reorganisation expenses were blamed for the disappointing result. Shareholders' funds stood at £2.96m at March 31. The acquisition will be funded by the issue of ordinary and convertible shares with a partial cash alternative.

Mr John Castle, Loper's chairman and chief executive, said the overall performance in the half year to June 30 had been satisfactory, with excel-lent contributions from its marketing services brands -Design in Action, Purchasepoint, and RCF. Turnover rose to £80m (£73.21m) and revenue grew to £25.54m (£21.03m). Ha added that Lopex had

picked up a record amount of business in the first half of the

year and, as a sign of the com-

**NEWS DIGEST** 

Osprey Communications, the advertising and marketing ser-

vices group, lifted pre-tax prof-

its by 65 per cent to £1.11m in the year to May 1989 against a restated £671,000. Turnover rose from £14.56m to £19.45m.

An increase in the final divi-dend to 2.4p (2p) is recom-

Osprey soars

65% to over £1m

Lopex has been dogged by a dull image in the otherwise dull image in the otherwise flamboyant advertising sector, but this view is increasingly seen as being rather unfair. Few other advertising groups of its size can boast such a consistent financial record as Lopex and even less can exhibit such a clear strategy in developing a network of Europeaning and the control of Europeaning a network of Europeaning a network of Europeaning and the control of Europeaning and Eu developing a network of Euro-pean contacts ahead of the pre-sumed benefits of 1992. About 45 per cent of Lopex's taxable profits now come from over-seas and its Alliance network

peny's confidence in the future, it had raised its interim dividend by 20 per cent. Earnings per share were 9.3p (9.26p).

In 1989 Lopex has made several acquisitions for about \$1.7m in cash. Mr Castle said in order to refresh the group's working capital Lopex would

working capital Lopex would raise 12m by means of ashare placing with institutions.

· COMMENT

now spreads through 14 European countries — a small seed-corn development in Switzer-land has just been added — and three countries elsewhere. Some followers still remain sceptical of the value of this European web of agencies but they can perhaps content themselves with yesterday's acquisition which will give Lopex more market ballsst in the UK. Despite yesterday's slightly soft results, pre-tax profits of about £8.5m look in view for the year, putting Lopex on a multiple of just under 10. In the short term, that appears fair as the share price may be beld back by the issue of new shares and soggy sentiment towards the sector. sentiment towards the sector. But further out they may well

# Reorganised Hestair edges ahead to £10.62m midway

By John Ridding

HESTAIR, the personnel services and consumer prod-ucts group, which changed its shape following sale of its engineering businesses at the beginning of the year, yester-day announced interim pre-tax profits just 5 per cent ahead to £10.62m.

Earnings per share for the six months to July 30 slipped from 14.6p to 13.3p largely reflecting the impact of shares issued to finance the acquisition of Maclaren, the baby buggy manufacturer, in June 1988. The shares closed up 2p

Mr David Hargreaves, chairman, said that comparisons between the two periods were difficult because of the disposal of the engineering businesse and acquisitions and reorgani-sation within the remaining

But ba said that "we are pretty pleesed to have more than made up the loss of earnvenicles dusi ness" and that the group's underlying growth was an "encouraging" 12 per cent.

A breakdown of profits show

that ongoing businesses made £11.14m compared with £7.9m last time. Discontinued busi-

nesses removed £2.83m from ing would be "most imporprofits before interest.

The results were again dominated by the group's personnel services division which increased profits from £7.14m to £9.08m. Although Atlas, which operates principally in London, saw a downturn – partly the result of the transport strikes - strong growth was experienced in all of the UK businesses.

In the US, however, the group's personnel businesses suffered from "distinctly soft" markets in the north east. In addition, there were reorganisation costs associated with putting all of the businesses under the Talentree umbrella.

Mr Hargreaves said that there was "no sign of a down-turn" in either permanent or temporary staff placements.

The consumer products division, which has a second half bias, raised profits from £1.29m to £1.44m. Mr Hargreaves said that "in the light of recent discussions with retail sales customera we remain optimistic for the second half though any increese in interest retes would further damage retail confidence. He described the first half as being "generally slow for the whole division" and said that Christmas trad-

Philip Coggan

Group turnover increased from £145.6m to £137.5m. There is an interim dividend of 3.5p

• COMMENT On the face of it, Hestair's results look fairly unimpres-

sive. Shareholders may well wonder how much of an achievement it is for profits to Metal grow only enough to compensate for a significant disposal, particularly when earnings per share fall. But this understates Closures the real picture which includes the introduction of a second half bias through acquisitions and the potential benefits of reorganising US personnel operations. This said, the fact that the second half has become more important and that the bias reflects consumer products introduces a note of uncertainty. There is little reson for concern at present Kiddicraft sales are, for example, up 31 per cent - but the Christmas period will be critical. Less doubt attaches to the core personnel services divi-sion and this should ensure

pre-tax profits of £25m for the full year. With the tax charge edging up, the shares are on a fair prospective rating of 8.

Communications made oper-

ating profits of £850,000 on turnover of £11.18m, while per-

sonal computers made £1.48m

on £22.1m and mainframe services £1.07m on £11.4m. Previous year figures are not compa-

second half.

# TURNOVER AT Metal Closures Group, the packaging

and printing group, rose by 7 per cent to £56.5m in the half year to July 1 1989, but the impact of high levels of interest coupled with the effect of SSAP 24 on the company's pensions cents were below the description. sion costs, resulted in a drop in pre-tax profits from £3.5m to Within this result the South

African group's pre-tax profits fell by £247,000, compounded by a 10 per cent decline in the rand/sterling exchange rate. After tax of £1.27m (£1.57m) and minorities of £202,000

maintained at 2.35p.
Directors sald that factors affecting the first half were likely to continue into the sec-

#### Cantors 30% ahead despite foam rules

In a difficult period for the furniture industry, Cantors, the retail furniture group, achieved a 30 per cent improvement in profits. For the year ended April 29 the taxable result rose from £2.33m to £3.03m on turnover 15.5 per cent ahead at £43,07m against

The dividend is lifted to 3p (2.25p) with a recommended final of 2p (1.5p). Mr Harold Cantor, chairman,

Mr Evans said that mainte-nance income (which is sub-sumed within the communicasaid a major problem had been the new regulations regarding fire resistant foam fillings tions and personal computer divisions) rose 26 per cent to Although the group's Australian and US operations made small losses, they are expected to be profitable in the which this year would be extended to linings and covers. He added that the general reduction in trade and decline in the economic situation continued to the co Group turnover rose to £44.6m (£9.05m). Operating profits were £3.4m (£712,000) tinued. He felt it would be diffi-cult for the current year to equal the 1968-89 figures. and interest payable £373,000 (£15,000 receivable).

After tax of £795,000 (£184,000, earnings per share were 6.2p (0.5p).

The interim dividend is 0.75p (nil). After tax of £913,000 (£799,000) earnings worked through at 15.55p (11.23p).

(£230,000) earnings per share were left at 5p (6.8p restated). The interim dividend is being

current year were encouraging mended. Earnings worked through at 9.63p (7.25p) per

Mr John French, chairman and chief executive, said pros-pects for the current year were encouraging. Two companies had been acquired during the first quarter which would expand the range of services

The company has changed its accounting policy so as to write off all goodwill as soon as it arises against an appropriate

#### Acquisitions help Adscene to £2.92m

Adscene Group, the Kent-based publisher and printer of news-papers, announced a £im increase in pre-tax profits to £2.52m in the 53 weeks to June

Turnover rose 54 per cent to \$20.5m (£13.3m) helped by a more-than-doubled contribution from the publishing division, where acquisitions had been successfully integrated

into the group. The profits improvement was achieved despite a net interest charge of £434,000 compared with a £2,000 gain last

offer considerably more.

Tax took £1.02m (£687,000) leaving earnings per 5p share of 12.4p (9p). The proposed final dividend of 4p (2.8p) makes a total for the year of 6p

#### 77% increase at Severfield-Reeve

Severfield-Reeve, the USM-quoted structural steelerector reported a 77 per cent increase in pre-tax profits from £535,000 to £946,000 in the six months to end-June.

Turnover in the period rose 45 per cent to £6.2m (£4.3m) and after interest payable of £88,000 (£26,000) and tax of £331,000 (£187,000) earnings per 10p share increased to 6.47p (£13m)

The directors said that the first half had seen a marked increase in enquiries and orders, resulting in an increased tonnage of steel being fabricated in the company's factory in Dalton. The installation of a second production line there would enable it to undertake learners. to undertake larger contracts,

they said.
The interim dividend is being raised from 0.75p to 1p.

#### Intl Colour achieves £1.84m

International, Management, maker of computer systems for colour control, lifted pre-tax profits from £1.51m to £1.84m in the year to

Directors said that the new year had started wall, with orders exceeding last year's levels. The group was continu-ing to expand its product range, and they looked forward to continued growth in the

Coming year.

There is a proposed final dividend of 0.95p (0.8p), making 1.45p for the year. After tax of £805,000 (£557,000) earnings per share amounted to 11.2p (9.2p).

#### There are now three operating divisions: communications, which mainly consists of the original Systems Reliebility

- Highlights of the year ended 31st March 1989 \* Turnover:- up 37.8% at £262 million
- \* Pre-Tax Profit:- up 61.1% at £8.77 million
- \* Earnings per share: up 70.3% at 40.2p
- \* Ordinary Dividend:- up 52.9% at 6.5p per share
- \* Gearing:- down from 45% to 19% ★ Revaluation of properties adds £7.7 million to assets

A further

year of excellent results

**Five Year Summary** 

"Prospects for the group in the current year are good, and I have every confidence that further success will be achieved. It is intended to enhance progressively the dividend payment during the next few years"

John Douglas O.B.E. Chairman

CONSTRUCTION - HOUSING & PROPERTY DEVELOPMENT - CONSTRUCTION EQUIPMENT & PLANT - MATERIALS SUPPLY & SPECIALIST CONTRACTING

# Samsung Electronics Co., Ltd. (a company incorporated with limited liability in the Republic of Korea)

Systems Reliability rings

up £3m at half-way stage

SYSTEMS RELIABILITY International.
Holdings, the telephone communication at ing profits turnover of files.

interim pre-tax profits of £3.02m compared with £267,000

in the same period a year ear-

The company, which is being revamped by ex-Hillsdown executive Mr Robert Evans,

made a spate of acquisitions in the first half, which contrib-

uted around £1.33m at the pre-

tax level.
All four ecquisitions were

included for three months or

telephone equipment business; personal computers, which consists of Fletcher Dennys

and Essex & City (now renamed Corporate Computers) and South East Computers;

and mainframe services, which includes Enterprise and Chase

US \$20,000,000 5 per cent. Convertible Bonds 2000 As described in the Notice published on 25th July, 1989, the Company has granted rights to holders of its shares and to its employees to subscribe for shares in the Company and has also authorised a free distribution of its shares.

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, pursuant to the provisions of the TRUST DEED constituting the Bonds, the Spot Price per share has been adjusted to reflect the above events from W 8,878 to W 8,024 and as a result the Conversion Price from W 17,756 to W 16,048 with effect from 25th August, 1989.

Samsung Electronics

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# **UK COMPANY NEWS**

A fall in British housing profits is offset by strong growth in overseas earnings

# Taylor Woodrow improves 27% to £43.2m

By Andrew Taylor, Construction Correspondent

STRONG GROWTH in ing profits had been boosted by overseas housing and commercial earnings helped pre-tax profits of Taylor Woodrow, the Australia had also helped to British property, housing and construction group, to rise by 27 per cent to £43.2m during the six months to the end of

A fall in British housing profits meant that UK profits overall were only about the same level as first half profits last year, said Sir Frank Gibb, Taylor Woodrow'e chairman and chief executive.

Group turnover during the first six months rose by 16 per cent to 2641m (2551m) and earnings per share improved by 26 per cent to 8.6p (6.8p). The interim dividend is being increased from an adjusted

1.5p to 1.75p. Sir Frank, who is due to retire at the end of this year, said international housebuildincrease overseas profits which had risen by approaching £18m during the first six months.

Sir Frank said a sharp fall in British housebuilding, particu-larly in aouthern England (Taylor Woodrow builds most of its houses south of Cam-bridge), had wiped out profit gains from the group's other UK construction and property

UK construction and property interests.

He said UK commercial property profits had increased due to higher rents but profits from UK property disposals were about the same level as during the first half last year.

The Greenham hullding materials and tools and equipment businesses in the UK also increased profits during the

increased profits during the first half, said Sir Frank.

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London SE1 9HL.

**FINANCIAL TIMES** 

An exceptional item of £5.2m, taken below the line, reflected charges against losses from the sale of underperforming businesses including previously loss-making Sastorth Woodrow, its international ously loss-making Seaforth

The group said gearing had risen to more than 20 per cent as a result of the purchase for 245m of a large development site in London's Kensington and the acquisition for £28m of an industrial property portfolio from Peachey property group.

• COMMENT Taylor Woodrow has a large treasure chest of property developments, many of which it has owned for a long time. It has by it own admission the ahility to step up property sales and take profits when other parts of its househuilding and construction business fall-

on hard times. This is clearly

year. Fortunately for Taylor Woodrow, its international househulding operations should more than compensate for this fall with California in particular expected to produce excellent results in the second half. Expect more from UK property disposals in the second half while contracting results should also be a little better this year given the absence of provisions which marred last year's figures. Analysts expect full year profits for the group to be between £125m to £130m which would not the group or a re-of-lite. put the group on a pe of 11 to 11%. The unlocked value of its property portfolio justifies this rating hut do not look for further gains in the present cli-



Sir Frank Glhh: profits boosted by sales in Canada

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#### OCTOBER 3RD 1989

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FINANCIAL TIMES

# **NPI** takes legal advice on Stead & Simpson bid

By Philip Coggan

MR BERNARD PRAX, investment manager of National Provident Institution, the mutual life company, said yesterday that the group was taking legal advice on whether it could take any action against the board of Stead & Simpson, the footwear retailer which recently agreed to a hid which recently agreed to a hid from Clayform Properties.

NPI is unhappy at the 152p on offer for the ordinary non-voting shares, which followed a letter from Mr Frank Chamherlain. Stead's chairman, advising shareholders to take no action at a time when the price was 174p.

The offer for voting shares,

in contrast, is £21.55 per share, based on the ratio of the two share prices in the six months hefore Stead announced it was in bid talks.

The ratio was set hy the Take-over Panel.
Mr Prax said: "Our gripe is really with the Takeover Panel and with the Stead & Simpson board." NPI points ont that

board." NPI points ont that Stead & Simpson, rejected an offer worth 151p per non-voting share in 1988, yet accepted an offer only 1p higher one year later.

The Stead board has argued that, after the 1988 hid, Clayform held 41 per cent of the ordinary shares and thus there was the possibility that it was the possibility that it could have gained control through the market.

#### BTR in US expansion

BTR, the industrial holding company, is to huy a US air and oil filter manufacturer for \$2.4m (£1.5m). The acquisition of North American Filter will be made via BTR's subsidiary, Vokes, which manufactures similar filtration products in the UK.

North American Filter, based in Newark, New Jersey, designs, manufactures, and markets industrial filtration systems and has been a Vokes licensee since 1986. Vokes is planning to expand North American Filter's factory from 20,000 sq ft to 70,000 sq ft and to build its turnover up to \$10m by 1990.

# **Dubilier helps lift** Peek to £5.8m in first six months

its of £5.83m for the six months to June 30, more than double the £2.44m achieved in the 1988

The results were lifted by a contribution of about £2.3m from the Dubilier connector husinesses which Peek acquired in mid-1988 and by contributions from Transyt, manufacturer of traffic control systems.

However, Edac, Duhilier's North American subsidiary, suffered from a downturn in the US computer and tele communications industry and fell well short of expectations. Mr Kenneth Maud, chief executive, who has built the group up from a shell company

over the past three years, said Edac achieved "only about 20 per cent of what it made in the same period last year."
Group turnover increased

from £15.08m to £35.07m and earnings per share rose from 3.47p tp 3.83p. There is an interim dividend of 1p (0.9p).

Viscount Slim, chairman, said the balance sheet remained strong with a net cash position at the end of the period in excess of £14m. This

resulted in a sharp increase in interest receivable from £213,000 to £1.16m. The company said its cash resources would be used to to increase the critical mass of its core businesses through selec-tive acquisitions and the investment in new products.

Despite the problems at Edac and a helow budget perfor-mance from Polytechnic Elec-

PEEK, the electronics and industrial holding group, yes terday announced pre-tax prof tronics, manufacturer of navigation equipment, the communications and navigation division contributed more than haif of group profits. The traf-fic and data division, which sccounts for about 26 per cent of group profits, saw a strong performance from Husky Com-

> The measurement and control division was supported by the Computer Instruments subsidiary. However, expenditure from the UK water authorities did not arise as anticipated.

#### @ COMMENT

Peek's impressive rate of growth under the guidance of Mr Maud is slowing as a result of Duhilier's difficult markets.
Edac is clearly the worst
affected subsidiary, hut UK
and European markets have
also started to soften and will limit profits at Greenpar. But the group has already got what it wanted most from the acquisition - namely the £25m net cash - and is probably looking to sell the connector husinesses. Strong performances are expected from Husky and the group's instrumentation companies hut the connector market downturn and disappointments at Polytechnic have prompted a downward revision in full year profits from £13.5m to £11.8m. Shares have been falling steadily in the last month and shed another 8p yesterday to close at 93p. At this price they are on a prospective multiple of 8. This is low but probably fair until there is a better indication of where the next boost to growth will come from.

# Allied Entertainment takes 20% stake in British and American

By John Ridding

Allied Entertainment Financial Services, a private company controlled by Mr Harvey Gold-smith, the entertainments promoter, and Mr Edward Simons, one of the founding directors of Brent Walker, bas taken a 20 per cent stake in British & American Film Holdings.

ducer, is an investment holding company. It also has a film library which includes The Odessa File and Day Of The Jackal

Mr Simons said the stake had been acquired as a long term investment and the pur-chase was "entirely friendly." B&A, which was created by Sir John Woolf, the film pro-amount paid for the stake.

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SUMMARY OF INTERIM RESULTS	30 June 1989	30 June 1988	Percentage Change	Year 1988
SALES	£516.2n	£475.2	m +8.6%	£984.5m
PRE-TAX PROFITS	- £21.2n	a £17.8	m +19.0%	£44.1m
EARNINGS PER SHA	IRE 5.9p	<b>4.9</b> p	* +20.4	%* 11.7p*
DIVIDEND	1.5p	1.0	p +65.	0%* 4.0p

"The first half of 1989 has produced a continuation of the Company's excellent growth." - Sir Ron Brierley (Chairman).

Alfa Romeo (UK)

Adjusted to take account of one for ten bonus issue in May 1969.

Daihatsu (UK and Eire)

Maranello Concessionaires (Ferrari)

Mazda (UK and France)

Subaru (Australia)

· · · · · · Cooper Group · · · · · · · ·

Wadham Kenning Motor Group

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H.A. Fox

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Property and leisure developments

ehicle contract hire blandishments lacking substance can prove equally perilous. It's only later that the consequences of a hasty decision become apparent.

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And in a relaxed, yet professional, manner - far removed from D'Arcy's disaster.

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GRAND CAYMAN

DIVIDEND ANNOUNCEMENT

On 17th August 1989 the Directors declared a dividend

On 18th August 1889 the Directors declared a disidend of US-Dollars 39.00 per share payable on 18th September 1989 on all Participating Shares then in issue. Holders of bearer shares should present coupon No 8 on or after 18th September 1989 at the office of the Administrator, Julius Baer Bank and Trust Company Ltd., Butterfield House, Grand Cayman, B.W.I., or at the main office of the Agent, Bank Julius Baer & Co. Ltd., Bahnhofstrasse 36, 8001 Zunch, Suiterfalled.

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Tel: (091) 510 0494 Fax: (091) 514 4124 Midlands 187 Broad Street, Birmingham B15 1ED. Tel: 10211 632 4222 Fax: 10211 643 9034 South 2B Buckingham Avenue, Slough SLI 4NB.

B∞B

D-MARK-BAER KALUS BAEP, D. MARK BOY ID FUILD LTD. GRAND CAYMAN

#### DIVIDEND ANNOUNCEMENT

On 11th August 1989 the Directors declared a dividend of D-Mark 20.00 per share payable on 15th September 1989 on all Participating Shares then in issue. Hulders of bearer shares should present coupon No. 8 on or after 15th September 1989 at the office of the Administrator, Julius Baur Bank and Trust Company Ltd., Butterfield House, Grand Cayman, BWI, or at the main ottice of the Agent, Bank Julius Baer & Co. Ltd., Bahnhotstrasse 30, 2001 Zurich. Switzerland.

D-Mark-Back Julius Back D-Mark Bond Fund Ud.

# COMMODITIES AND AGRICULTURE

# Attack closes Bougainville mine again after 9 hours

BOUGAINVILLE COPPER'S vast open-cut mine in Papua New Guinea resumed produc-tion yesterday morning only to be shut down just nine hours later after gunshots were fired at two buses carrying mine

The company's abrupt reversal was a stunning embarrassment for the Port Moresby Government and security forces on the troubled Bongainville Island, who had assured it that security was adequate to protect employees. A statement from the com-pany, which is 53 per cent-owned by CRA, the Australian affiliate of the ETZ mining group of the UK, said nobody

was injured in the attack, which was presumed to have been the work of a militant group of disaffected landown-

But it declared that it had "immediately ceased produc-tion operations until further notice," and added that it was "profoundly distressed by these cowardly attacks on Earlier in the day Bougain-

the mine had gone back into full 24-hour production. The company said it was satisfied that conditions allowed a resumption after it had received indications from the Port Moresby Government and

the controller of Bougainville Island's state of emergency that "security is adequate to ensure a reasonable level of safety for company employees at work and around the

The move had followed extensive discussions which concluded on Monday between Mr Rabbie Namaliu, the Prime Minister, and Mr Joseph Kabni, the Premier of the Provincial Government on Bougainville

Yesterday Mr Namalin expressed his delight at the resumption of production when he spoke in Parliament. and Bongainville Copper's share price surged on the Aus-

But the shooting incident, which occurred on the road between the mine and the coastal town of Arawa, not only dispelled the optimism, it derkened the outlook. Lost production since ansentions tralian stock exchange. production since operations ceased on May 15 already amounts to almost 296,000 tonnes of copper concentrate, worth US\$200m, and last month the company reported a sharp decline in interim earn-

ings and revenues. Even with the resumption the company had expected to achieve only 75 per cent capacity for the rest of the year, while CRA acknowledged yesterday that Bougainville Copper would not make a signifi-cent contribution to its profit in the second haif. The problem is a militant

minority of secessionist-inclined local landowners who launched a series of arson and sabotage attacks on company property and personnel last November to press for huge compensation for the estshlishment and operation of the mine over the past 17

The Government declared a afate of emergency in June after failed attempts at negoti-ation with the militants. While the military and police went into action, helped by Austra-lian supplied belicopters, the

Government discussed a new financial package with local

The mine, a 580m toune low-grade deposit of copper, gold and silver, is one of the world's largest, capable of producing some 550,000 tounes producing some 550,000 townes of copper concentrate per year. Closure has forced the company to issue notices of force majeure to its customers covering specific shipments, but none have been cancelled. For the Government, a 20 per cent shareholder, it has delivered some 17 per cent of internally generated revenues and is the country's second largest country's second largest source of foreign exchange after external aid.

prices, but dairy farmer co-op-eratives and the mainly private dairy companies are linked in

dairy companies are linked in regional arrangements. "The problem is, how we get from here to there." Mr Dare says. Mr Rungu, who hopes negotiations may begin with the DTF over the next few weeks for conclusion next spring, seems to agree in principle but sees difficulties. He points out, for example, that Britain's dairy farmers would have to be convinced that euch a solution would be good for them.

Given these apparent differences, and its own free market predilections, it seems surpris-

predilections, it seems surpris-ing that the Government has not offered the necessary par-liamentary time to reform the

MMBs' status, making ench

voluntary arrangements possi-ble. On the contrary, however,

former Minister of Agriculture Mr John MacGregor made it plain there would be no such

legislative sction in this Parlia-legislative sction in this Parlia-ment. There seems no reason to suppose that his successor, Mr John Gummer, will take a

It may well be that the logic

of the single European market will ultimately destroy the

marketing eystom as it is today. But for the immediate

different line.

# World oil supplies boosted in August

By Steven Butler

a-day rise in non-communist world oil supplies in August, sithough spot market oil prices firmed during the period. Most of the increase came in

the developed countries which are members of the Organisation of Economic Co-operation and Development, which sponsors the IEA. UK North Sea production reached 22m b/d as production and members are the production of the producti repair and maintenance pro-grammes were completed. Pro-duction also rose in Alaska on

duction also rose in Alaska on a month-to-month basis.

Despite the month-to-month increase, OECD production is still alightly below year-ago levels largely because of a rapid fall in US output result-ing from a faster depletion rate in the lower of when and for in the lower 48 states and to low Alaskan oil production. Oil output by members of the Organisation of Petroleum Exporting Countries also rose during the mouth by 200,000 b/ d to 21.5m b/d. In the developing countries, production rose 100,000 b/d to 9.5m b/d, due to an increase in Colombian pro-duction.

The IEA noted that Iraqi export capacity would increase this · min with the opening of a n· pipeline through Saudi

THE INTERNATIONAL Energy Agency (IEA) yester-day reported a 500,000-barrels-aday rise in non-communist world oil supplies in August, slithough spot market oil prices furned during the resided.

Arabia, which would have a capacity of 1.65m b/d when fully operational, probably sometime next year, Iraq's export capacity is expected to reach 3m b/d by the year end are in the capacity is expected to reach 3m b/d by the year end are in the capacity is expected to reach 3m b/d by the year end are in the capacity is expected to reach 3m b/d by the year end are in the capacity of 1.65m b/d when fully operational, probably several activities. and could increase signifi-

cantly heat year.

Iraq is widely expected to press for a higger role in Opec during negotiations in the coming months.

OECO oil consumption rose

by just under 3 per cent in the second quarter of the year, led by a 6 per cent increase in the Pacific area. The IEA expects oil consumption in the OECD oil consumption in the OECD to rise by 3 per cent in the third quarter, but by less than 2 per cent for the entire year. Excluding the communist countries, world oil consumption is expected to rise 24 per cent in 1989 to 52 lm bid.

The London-based international Petroleum Exchange yesterday is unched a high sulphur fael oil futures contract, reporting trades in excess of 506 lots, equivalent to over 5,000 tonnes of fuel oil.

The contract is to be settled

The contract is to be settled in cash based on an index of published prices. Trading on the IPE has grown rapidly over the past year following the launch of Brent crude oil

# Brazil 'will join tin group'

By Lim Slong Hoon in Kuala Lumpur uled to visit Kuala Lumpur for

BRAZIL, THE world's biggest producer of tin, indicated to Malaysia yesterday that It would join the Association of Tin Producing Countries (ATPC), according to Mr Lim Keng Yaik, the Malaysian Pri-mary Industries Minister.

A formal memberahip appli-cation from Brazil is to be submitted to the seven-member tin

group when it meets on Octo-ber 16 in Bangkok.

Brazil and Chins, the only other significant tin producer outside the pact, have observer status in the ATPC. The Brazilian Minister for Mines is sched-

talks with Mr Lim a week before the Bangkok meeting Brazil's decision was conveyed through Mr Ibrahim Menudin, chief executive officer of Malaysia's largest the company, the Malaysian Mining Corporation. Mr Ibrahim, now in Brazil, has been meeting with avacutives of Brazil's ing with executives of Brazil's Paranapanema, who, according to Mr Lim, had lobbled the Brazilian Government for its membership of the pact. Based on Malaysian figures. Brazil exports more than 40,000

220-235 (225-235). MOLYBOENUM: European

free market, drummed molyb-

#### **WEEKLY METALS PRICES**

Prices from Metal Bulletin (last veek's in brackets). per 76 lb flask, in warehouse, 220-235 (225-235).

ANTIMONY: European free market 99.6 per cent. \$ per tonne, in warehouse, 1,720-1,770

BISMITH: European free market, min. 90.00 per cent. \$ per lb, tenne lots in waxehouse, 8.80-4.00 (3.76-4.00).

CADMIUM: European free market, min. 99.5 per cent. \$ per lb, in warekouse, 2.90-3.30 (2.80-3.20).

market, 99.5 per cent, \$ per lb, in warehouse, 7.35-7.56 (seme). MERCURY: European free

ree market, drummen molys-dic cride, \$ per lb Mo, in ware-house, \$27-330 (3.25-3.30). SELENIUM: European free market, min 98.5 per cent, \$ per lb, in warehouse, 4.30-5.00 (4.45-345). (4.45.340).

TENGSTEN ORE: Enropean free market, standard min. 65 per cent. 8 per tonne unit (10 kg) WO, cif. 48-62 (surpe).

VANADUM: European free

market, min. 98 per cent. \$ a lb VO. cif. \$105.30 (\$205.50). URANIUM: Nuexco URANIUM: Nuexco

# UK milk industry's 'cosy cartel' comes under fire

Bridget Bloom on the growing pressure for reform of Britain's 57-year-old dairy marketing system keeping its monopoly while we lost the protection the present eystem offers us," he said in an interview last weck.

Mr Dare says he could envisage the possibility in the UK of a variant of the much freer market which pertains in France or the Netherlands. There, processors are under no statutory obligation to bny from certain sources at certain prices, but dairy farmer co-opsupport for "their" board is leg-endary. Sir Oulton, like other critics of the board, acknowl-edges its usefulness in main-taining technical standards and assuring good distribution. However, he charges the sys-tem with stifling enterprise. "Everything is stacked against the smaller manufacturer who wants to be innovative," he says.

BRITAIN'S MILK market-ing boards have enjoyed a monopoly of the buya monopoly of the buying and selling of milk for 57
years. So when top executives
of the largest atter words like
"radical change" and "reform",
it is time to take notice.
Mr Bob Steven, a dairy
farmer himself and the chairman of the MMB of England
and Wales, caused a ripple of
excitement at the annual open

excitement at the annual general meeting in July when he declared that the Board, and the half dozen main users of its milk as represented in the Dairy Trade Federation, had to acknowledge the need for change. He singled out for par-ticular criticism the way the industry priced its product. "It does not recognise the circum-stances of the market (nor) acknowledge the basic rules of supply and demand," he declared.

The pricing arrangements, involving a range of 14 different prices determined by end use and negotiated to at least three decimal places, is one of the central features of the milk marketing system which, its opponents maintain, has stifled enterprise in the dairy indus-try as a whole and today works to the detriment of both pro-

ducer and consumer. The system has come under pressure from discontented producers at home and from competitor industries in the European Community, now moving towards a single market. Hence the talk of reform. However, what route that reform will take is far from

In Thatcherite Britain, the milk marketing system looks like a dinosaur. It was indeed born in quite a different age, for in 1933 Britain's dairy farmers were suffering from a severe farm recession and at the mercy of powerful dairy

exist, with that for England and Wales - today involving some 32,000 dairy farmers and a turnover of £2bn - even then much the largest. The boards bought milk from farmers at a uniform price but for sales set a hefty differential between liquid milk for drink-ing and milk destined for but-ter or cheese. This fetched a lower price, because at the time the country's dairy prod-uct needs were met largely by imports from the Common

The system survived the war and, more surprisingly, Britain's entry to the European Community in 1973. Although noises were made about the need for competition, the EC was even then producing costly milk surpluses and accepted that Britain's marketing system encouraged sales of liquid milk, which would not swell butter or milk powder

In essence, the system has changed little. The MMBs today are the only authorities allowed to buy whole milk from farmers and sell it on. And although there are dozens of smaller dairy concerns, five companies - Express Dairies, Unigate, CWS, Northern Foods and Dairy Crest, buy two thirds of the total milk produced. Dairy Crest, the largest of the companies, is wholly owned by the MMB. Together the boards and these companies, through the Dairy Trades Federation, negotiate purchase prices for the whole industry. (Last week these ranged from 22.285 pence per litre for drinking milk to 17.864 ppl for milk used for ani-mal feed.) There is provision for arbitration in the price negotiation system — known

as the common approach to financial information, or Cath
- but it is seldom used. mpanies.

Although prognostications of the pre-war marketing the end of this "cosy cartel" — heme created five statutory held by its participants to



Charles Runge (left) and Andrew Dare: Both acknowledge that change is needed, but part company on its direction

prices to producers, processors and consumers alike - have been frequently heard in the last few years, it is only in the last year or so that it has looked less than impregnable. On the one hand, the system is under fire from a combination of court cases brought by competitors in the EC (notably in Ireland), most of which have

yet to reach judgement, and moves to create a single Com-munity market for milk. Then there are pressures on the domestic front. It was at first thought that EC imports of UHT (ultra heat treated) milk into Britain, freed five years ago, might have proved a threat. But in

the event imports carved out

only a 5 per cent share of Britain's UHT market, which in turn is only about I per cent of total milk sales. This year, however, imports of tresh milk from EC countries have been allowed, and in theory this poses a much greater threat, since any processor or dairy company dissat-issed with the Boards' prices

could import supplies. In practice, however, the quotas imposed on milk pro-

PICTIONS

supplies available for importing have so far been limited: currently there are shortages, since milk production goes down in the late summer when cows calve.

felt that others could be forced

to follow. Sir Oulton Wade, chairman of the medium-sized Mollingwould see this as a retrograde

いったして

Domestically, some middle-sized dairy companies feel they are getting a raw deal from the system. For example, North Braden Farms, a partnership of some 30 Somerset dairy farmers, is believed to be unable to get milk from the MMB to expand its cheese making enterprise. It is said, in consequence, to be offering its farmer suppliers a premium over the MMB prices - a device which may, it seems, be illegal, forcing it to leave the MMB scheme altogether. So delicate is the issue perceived to be that both sides are refusing to comment. If North Bra-den Farms were to leave it is

ing milk supply and demand into much better balance and

ton group of cheesemakers in Cheshire and a long-time critic marketing boards, which still guarantee stable and fair 1984 have succeeded in bring- dairy farmers, whose dogged tively it would mean the board them keep it that way."

WORLD COMMODITIES PRICES

AM Official Kerb close Open Interest

17\$3-5

31,498 lots

The Mollington group is typical of these companies. It started life as a dairy farm and joined the MMB-controlled farmbouse cheese-making scheme in the 1950s. But it broke away in the early 1980s in order to be able to produce and sell a wider range of cheeseo, prohibited by the Sir Oulton claims Melling-ton, now supplied via the MMB by a dedicated group of farm-

ers, was the first company in Britain to produce Fromage Frais, the fresh cream cheese, the nationwide market for which has trebled in three years. Parily as a result, Mol-lington's turnover has risen from about fl.3m before it left the farmhouse cheese scheme to a forecast £7.5m this year.
"We are pleased with our success, but it continues to be a real battle," Sir Oulton says.

Many industry observers are sceptical about the chances of rapid reform. As one put it:
"Both the Board and the DTF seem to be limbering up. But

will the fight be real - or just shadow boxing? shadow boxing?

Both Mr Charles Runge, chief executive of the MMB of England and Wales, and Mr Andrew Dare, President of the DTF and managing director of St IvcI (part of Unigate), acknowledge that change is needed but part company on its direction.

The Board is considering some form of tendering to replace the rigid price fixing, but Mr Dare says this would be "unfair" to the DTF. "Effec-

future it seems more likely that talks between the DTF and the MMB will drag on, with little radical change. For as one of the senior participants in the debate put it: The two sides of the industry have been in legal collusion for 57 years. And they're after the sort of change that will let

COBALT: European free market, min. 29.39 per cent, \$ 9.80 (same).

ZINC prices continued sharply downwards on the LME vesterday following Monday's rise in LME warehouse stocks to a five-year high of a further rise in stocks next week Traders said that further pressure had been put on the market by the liquidation of long hedges taken out before the abortive Peruvian mine otrike last month. Lead prices were also easier, with three-month metal testing technical support at £450 a tonne. Dealers said the market had hit resistance following trade selling in the last two days after the recent sharp run-up to an eight-year high of £467 a tenne. Cettee prices tell in the wake of New York and armid trace selling and profit - taking. Today the ICO executive board meets but no significant discussion about the coffee pact is

**LONDON MARKETS** 

SPOT MARKETS		
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Premium Gasolino Gas Oil Heavy Fuct Cil Naphtha Petroleum Argus Estimates	\$193-164 \$163-164 \$34-86 \$154-186	÷1
Other		+ 67 -
Gotd (per trey as:  Silver (per trey as:  Plannism (per trey es)  Paliadium (per trey es)	\$358.25 5075 \$473.75 \$133.50	-0.75 -1 -1 65 +0 15
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5415, 5WD \$465, c and f Arthropp BTC \$485, SWC \$485, BWD 5445, DTD \$455.
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Printed Septimental Septimenta	CORP FUTURE CORP 1460 1960 1960 1960 1960 1960 1960 1960 19	Previous - 80 Pr	50************************************	Ettore St.	Machine Stramma US Engle Angel Printer and See Stram Old See Noble Plat See Stram See Stram See Stram See Stram See Stram See Stram See See See See See See See See See Se	265-271 266-271 266-377 266-373 265-359 2612-2512 2612-2512 2612-2512 277-35 339-76 351-30 213-25	38.5 38.5 1937	737 12-20 737 12-20 737 12-20 731-230 74 12-35 74 12-35 74 12-35 75 25 75 25 75 25 75 25 75 25 75 25 75 25 75 25 75 25	4012 4012 4012 4012 4012 4012 12 72 73 74 74 74 74 74 74 74 74 74 74 74 74 74
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Sup State State Sup	1145 - 1175 - 11	Pre- out 104 50 105 10 105 10 105 10 105 10 105 10 105 10 105 10 105 10 105 10 105 105	100 mes   \$10 mes	Ettorre  St. 25	Machine Stramma US Englis Angel Magel Mage	208-071 206-071 206-071 208-077 208-077 208-077 208-077 207-07	Jan 193 177 58 May 241 241 251 251	7971; -2-797	45 98 Mar
Sup State State Sup	104 FUTE 1545 - 107 St. 155 St	Pre- cut  Pre- cut  1078 1079 1079 1079 1079 1079 1079 1079 1079	100 mes   \$10 mm	Ettorre  St. 25	Machine Stramma US Englis Angel Magel Mage	208-071 206-071 206-071 208-077 208-077 208-077 208-077 207-07	Jan 193 177 58 May 241 241 251 251	7971; -2-797	45 98 Mar
Principal Strategy of the Stra	### FUTURE CORE   1545   155   1555	Previous  Previous  1478 1576 1570 1570 1575 1575 1575 1575 1575 1575	100 mes   \$10 mes	Ctores  Ctores  Signature  Signat	Machine Stramma US Englis Angel Magel Mage	265-271 265-271 265-273 265-273 265-273 265-259 8412-8512 8412-8512 8412-8512 8412-8512 913-25 213-25 213-25 213-25 213-25 213-25 213-25 213-25 213-25 213-25 213-25 213-25	Jan 103 77 78 51 36	751;-2-3 771;-2-3 781-3 781-2-	Jen 46 73 108
Francisco Control Cont	100 FUTURE 150 FUTURE	Previous  Previous  1478 1576 1570 1570 1575 1575 1575 1575 1575 1575	### \$150m  ###################################	Ctores Signature	Machine Stramma US Englis Angel Ange	208-071 206-071 206-071 208-077 208-077 208-077 208-077 207-07	38.7 103 17 17 56 May 19 35	7971; -2-797	### ##################################
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#### eased in slow trading due mostly to a strong U.S. Dollar, reports Drexel n Lambert. Copper trading featured sideways action before closing down 190, basis December. Higher L.M.E. slocks weighed on the arket. In the solts, hed selling stong with stop loss selling depressed cocos prices, with the December contract losing 875, closing at 1083. Coffee prices also fell as profitaking and sell stops waskened the market. Sugar frading was mixed. The investocks all closed lower as declining cash prices gave the futures 107 points, the days largest loss in the eats. The energy complex was I

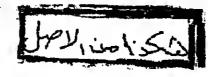
**US MARKETS** 

IN THE METALS, gold and sliver prices

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-	Close	OF . L'Irray		~
Sep	399 0	300 8	0.486	300.0
Oct	3614	367.4	362 0	300 8
Nov	363 3 365 1	386 1	386.0	364.0
Feb	365.9	306.9	304 4	308.0
Apr	372 0	373 0	3720	377 5
AUC SUA	377.0	378 D 361 B	3771	3/6 3
0d	365.0	396 7	0	0
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Oct	427.3	478.4	4600	4730
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NAME Jul	19 40	16 22	78 40 16 33	19.31	Dec	12.24	16.00 20,00	73 (5 18.78	16.46
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	Cross	President	Mark Com		A	181 7	2, 140 0 730	182.6	487.5
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COPPER TCT 37.500bs; consulted				Mary	248/2	347.0	200/E	243/E 245/E	
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Qes	1134	12 22	72.79 11.85	12:95	Eac	72.87	72.47	72 90 72 45	72.12 71 <b>95</b>
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-					Ave	71 42 46 73	70 00 70 00	71 73 75.00	# 30 60.90
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Out	73.10 73 <b>96</b>	72.06 72.86	73.30 74.23	77. <b>60</b> 77. <b>60</b>	STATE !		OD TO CAMPA		
Mar	75 Q# 76 90	14 17	75 30	74 58		Cloud	Proposition	HIMPS OF	
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# **FINANCIAL TIMES**



Though not Turkey's capital, Istanbul is the country's gateway to the outside world. The

city has recently come under new administration following the increasing unpopularity, nationally, of the ruling party. Jim Bodgener looks at these latest developments

# **Hub of finance** and culture

ISTANBUL HAS not been Turkey's capital since 1923. But it remains the country's chief city, its supremacy as much undisputed in academic life and the arts, as in business

and industry. - --Its role in Turkey's economic life is difficult to overstate.
With the surrounding Mar-mara region, Istanbul is Turkey's most industrialised region producing more than

in single

430.2

77.20

All the chief Turkish indus-trial groups are Istambul-based, even if — like Koc, the largest Turkish congiomerate, they started life in other cities. Istanhul's taxpayers are responsible for about 60 per cent of income received by the

finance ministry. Fashions, innovations, and experiments all take place in istanbul, and spread slowly to the Anatolian hinterland. This is partly because the city is also Turkey's gateway to the outside world in general and Europe in particular. Istanbul has heen a great European trade city for centuries and today it is the Turkish city. where support for membership of the European Community is

Istanbul has seen many changes wer nearly two mil-lennia as the capital of the Byzantina and Ottoman empires, and to the twentieth century as the commercial and financial hub of the Turkish republic.

Last March there was yet

thought to be an impregnable bastion for the ruling Mother-land Party (ANAP) fell in local elections to the main opposition Social Democratic Populist Party and Professor Nurettin Sözen, its mayoral candidate. . It was part of a country-wide debacle for the ANAP and one that Mr Turgut Ozal, the Prime Minister, has not been able to shake off, as shown by the depths to which the ANAP has sunk in opinion polls. That Izmir and Ankara fell to the Social Democrats was no sur-prise, but Istanbul under the redonbtable Mr Bedrettin Dalan was considered a safa

Though he ran the city somewhat as a personal fier, his bulldozing rule, character-ised by a welter of infrastructure construction, was one of benevolent antocracy in the peculiarly Turkish mould cast by the great nationalist and founder of the republic, Mustafa Kemal Ataturk, It was nationwide rejection of the Government for falling to curb rampant inflation that proved



The new Galata Bridge under construction over the Golden Horn

# Istanbul

his downfall, not personal unpopularity.

He says ruefully: "I may have lost the elections," then the lustre creeps back into his startlingly blue eyes, "but I still have the love of the people of Istanbul."

Thus it was a blinking Social Democratic Populist Party administration, hardly able to believe the windfall in its lap, that took over at the municipality's offices by Emperor Valen's viaduct, a reminder of other great periods of public

In some quarters, particularly husiness and commerce, and the foreign community. disillusionment is fast creeping in, with charges that all Profes-sor Sozen and his acolytes have done is try to besmirch Mr Dalan's reputation. But it is only natural, following such a daunting figure as Mr Dalan, that the new administration has tried to dispel his aura of invincibility by cutting him

down to size. It has yet to come up with any concrete proof from investigations into his alleged mis-

rule. Says Professor Sözen: People should know ahout what happened in the past, so they can see what we are doing." Mr Dalan responds: "What I understand from all these questions is that the bes they can do is to say bad things about the previous mayoralty. History will erase those who do not make any contribution to progress.

One of Mr Dalan's most vaunted claims was to have cleaned up Istanbul's famous Golden Horn inlet, for years heavily polluted and with



of a new aggressive breed of

businessman which has dis-

placed many of the older fami-lies from the pinnacles of the

city's commerce and industry. Even today there is a discerni-ble gulf in high society

between the parvenus and the older denizens, some from Greek, Levantine and Ladino

(Spanish Jewish) families span-

ning centuries of cultured liv-ing in Istanhul.

Similarly, whereas Taksim and Beyoglu running behind it down to the Golden Horn once

were refined amusement areas

and suburbs, now there are red lights fronting crumbling

streets of shabby tenements.

But the gulf is wider still with the poorest arrivals. In

the two decades from the 1950s Istanbul, in common with other large Turkish cities, was

subjected to an onslaught of rural migration with its atten-

dant phenomenon of gecekondu

(built-at-night) squatter barrios

encircling the outskirts. It is estimated that at least 60 per

cent of the population of six

million to eight million people are gecekondu dwellers, often

self-segregated into little com-

munities based on common ori-gins in central Anatolia.

poor into the city is one of the greatest challenges facing any mayoralty - although the fashion now for the newly con-

sumerist middle-classes is to

move from cramped apart-ments to privately developed

satellite dormitory towns mushrooming further out. The Social Democrats also

have their large infrastructure projects – including a new spi-nal metro crossing the Bospo-

rus by tube - at a combined

cost of about \$1,500 million -

The integration of the urban

filthy, ramshackla workshops on its shores. But Mr Ergun Göknel, the new director of the Istanbul Water and Sewerage Administration, appointed after the local elections, rubbishes even this. He says waste is still flowing into the inlet through 18 channels and adds that when the Social Democrats took over they found contractors protesting that non-payment had stopped work on World Bank-funded Greater Istanbul Sewerage Scheme. Now it has been restarted.

There is sedimentation at the bottom of the Golden Horn - with this you can't get it clean, at least not as clean as Mr Dalan's hive eyes," says Mr Göknel, disparaging the one of the latter's more Munchausen-

There is no denying that Istanbul at least half worked under Mr Dalan, and that great strides were made in easing chronic traffic congestion. But for all the play made of the internationalisation of the city under the ANAP, and the attempt to turn it into a replacement Beirut, the new skyscrapers, bank plagnes, hotels and affluent shop windows in the city centre only mask the real underlying transformation since the Second World War - the invasion by Anatolia.

In the magnificent collection of Turkey's most extrovert tycoon, Mr Sakip Sabanci, at his mansion on the Bosporus, one picture depicts a sunlit central Taksim square in the 1930s, with two damsels in the foreground in thin summer dresses under parasols. It could have been anywhere in Central Europe then. Now the two might seem slightly incongru-ous in the square, to say the least, and would probably be put down as mad yabancis (foreigners - tourists).

Mr Sabanci ls himself from Adana in the Cukurova plains of the south-east, the archetype

# CONTENTS

East-West crossroads Trade: The pinch is felt as

Industry: Pollution and moves to gat industry out of the

Banking: One of the problems i

Stock market: A Slow move out of

Tourism: Red tape ties up

Business guide: Whare to stay and how to get there Photography: Terry Kirk

cided with the redirection straight into the municipality's coffers of property taxes that previously were collected by the central government. In addition the thresholds were vastly increased. Mr Dalan also took office when the new Government of Mr Ozal was capi-talising on Turkey's returning international creditworthiness hy borrowing project credits from every direction. Mr Dalan was given almost free rein.

Now the new SHP municipalities are clamouring that the Government is trying to strangle them of funds. Istanhul municipality can still pay its international debts and has no intention of defaulting, however, as wrongly reported in the press recently. Its total external debt stands at around

"We are not interested in borrowing money to pay our debts," says a senior financial adviser to the mayor. The municipality wants credits rather to finance additional

services and projects, he adds. While Mr Dalan sought acclaim for civic development, Professor Sözen's team has a more direct method to the peo-ple's hearts and minds. Its programme during the local elections had the slogan "Man Comes First" and included free services and food for the poor and needy, free health and welfare services including helicop-ter ambulances and neighbourhood beliports, not to mention environmental and consumer protection.

All this may seem quaintly Victorian, hut to low-paid bureaucrat families scraping to make ends meet to feed babies and infants, free milk, bread and water are a substantial and unforgettable boon.

although these may be choked at birth by the mood of auster-Five months into its fiveity in Ankara affecting new year term Professor Sözen's project borrowing anywhere in mayoralty, however amateur-Turkey. Mr Dalan was fortunate that ish it might appear now, should definitely not be writ-

# his taking power in 1984 coin-

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The now generation of electronics

# The bazaar at the **East-West crossroads**

camel caravans Istanbul has been a favoured destination for travellers and traders. Although the style of clothes and the modes of carriage and doing business may have changed throughout the centuries, the city remains at heart what it has always been: the big bazaar at the crossroads between East and West.

First established as the town of Byzans by Megarian Greeks in 658BC on the European shores of the Bosporus, Istanbul only came into its own as a commercial centre after it was selected by Constantine the Great as the site for his New Rome in 324AD. While London and Paris were mere garrison towns and New York a barren island, Constantinopie had a population of over one million and a market so fabulous that early travellers, merchants and mercenaries stood in silent awe at the vast assortment of goods on offer.
As Gibbon tells us: "What-

ever rude commodities were collected in the forests of Germany and Scythia, whatsoever was manufactured by the skill of Europe or Asia, the gems and spices of farthest India and the corn of Egypt were brought by the varying winds into the port of Constantinople which, for many ages, attracted the commerce of the ancient

Strangely, perhaps, for a world accustomed to contem-porary Greeks with a golden commercial touch, Constantinople's economy was dominated by foreigners like Venetians and Genoesc, who were exempted from the crushing duties imposed on native merchants. The former went so far as to collaborate with the Frankish Crusaders in their wanton sack of the city in 1201, after which the latter, as a reward for restoring the royal Byzantine house, were granted a half share in exclusive trading rights throughout the

empire.
The Galata tower overlooking the Golden Horn is a testimony to the political and mili-tary power of the Genoese

But it was left to the Turks to expand the city into a prime commercial entrepot for the

Mediterranean and the Near ing of wares, but the modern East. They were no strangers to trade and were untrammel-led with religious sensibilities. Prior to their conquest of the city in t453 they had proved themselves masters of the dis-tinctive bazaar compounds that distinguish oriental from occidental cities

The covered bazzar areas of the first two Ottoman capitals, Bursa and Edirne, were smaller in scale but still in many ways a prelude to the throbbing mercantile centre built on ruins of the Byzantine precursor in Istanbul. The Ottoman city, the centre of an imperial economy stretching from the Yemen to Hungary, and the borders of Iran to

By the 1950s the once vital hub of commercial activity in

Istanbul had been reduced to a poor shadow of its former self, ravaged by fire

Algeria, soon became one of the wealthiest and most diversified markets anywhere in the world, all concentrated in the myriad areades and alleys of

the Grand Bazaar. Either via overland caravans from Tashkent, and other points in Central Asia, or laden on vessels coming from the Crimea or Egypt, goods would find their way to the scores of urban warebouses which also served as merchants' inns, lining the main avenues between the bazaar area itself and the dock area around today's Spice

From these wholesale centres goods would next be trans ported by an exclusive guild of porters to the 5,000 retail outlets in the bazaar proper. The sbops were generically arranged according to product, and even today the narrow lanes and culs-de-sac of the bazaar area carry the names of the guilds that once exercised monopoly rights along them.

The practice of grouping all rival merchants and retailers down one lane was allegedly

eye suspects that the underlying reason was a price cartel a curiousity In the bazaar, where haggling and bargaining is said to be a way of life!

In many ways the commercial history of Istanbul — and indeed, Turkey — is reflected in the history of the bazaar. As the Ottoman Empire startly the Ottoman Empire slowly but surely lost outreach terri-tory to the rising powers of Europe, and then to national-ism, the political turmoil fed through into the commercial realm. The decay of empire let in the outposts of nascent Western multinational capital in a new merchant class domi nated by resident foreigners or local minorities rising to prom-inence again in Pera — or Beyoglu - across the Golden

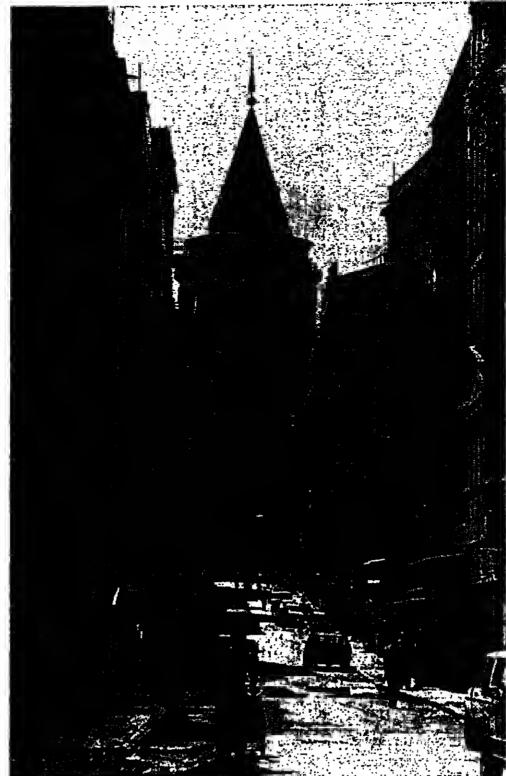
At the end of the Great War. when the empire finally sub-sided with the flight of the last sultan, Mehmet VI. on a British warship, the bazaar had been reduced to a paltry selection of shoddy, imported trade goods sold at inflated prices. The great warehouses stood or converted into sweat

The transfer of the political capital to Ankara, and the policy of etatism, or internally generated growth orchestrated by the state, adumbrated by by the state, adumbrated by the young Turkish republic under the great nationalist leader Mustala Kemal Ataturk, was a further blow to the privateering initiative of the

By the 1950s the once vital hub of commercial activity in Istanbul had been reduced to a poor shadow of its former self. ravaged by fire.

Today, bappily, the new spirit of commercialism and outward orientation reflects itself in Istanbui and the bazaar area, now a tourist's shopping paradise. Rents in the refurbished and renovated bazaar are at an all-time high - even though much of the goods sold are curios without any practical application.

Bnt, outside, the old days of travelling merchants live on in the shadow of the Beyazit Mosque. This time it is not Turkmen traders from Tasb-



Yemenis with their camels, but hundreds of Poles carrying their native goods packed atop their Russian-built Lada cars in a mushrooming of Eastern Bloc petit bourgeois, private

Here, on the fringes of the historic market, and true to its spirit, the modern merchants sell high and buy cheap, before their latter-day caravans return bome with the best the hazaar can offer.

overlooking the Golden Ho ony to the political and military power of the

TRADE

# Pinch felt as sales fall

ALL THE hig export houses have their headquarters in istanbul, where Turkey has its best contacts with global business. According to an informed estimate 90 per cent of the country's export transactions are conducted from Islambul. The trading houses made lucrative profits on the back of

the government's export drive early in the 190s, as exports climbed steadily.

The 21 big export concerns eligible on the basis of carryings of \$100m or mire for the coveted label of "foreign trade coveted intel of "totalgn trace corporate company" (FTCC) were initially given additional incentives to encourage them to develop on the model of the trading houses which were behind the commercial and industrial revolutions in Japan and South Kores. The FTCCs were able to share these incentives with smaller communities. tives with smaller companies exporting through them in the so-called "by-pane system". A 2 per cent premium to help the PTCCs retain their by-pass business is not enough, they

They are feeling the pinch as overseas sales fall — exports fell 14.9 per cent to \$702m in May, compared with the same month a year previously. Even textiles, the main engine of

exports, is flagging.
The FTCCs saw a 9.1 per cent fall in their total sales to \$1.3bn in the first quarter of this year compared with Jann-ary-March 1988. The traders complete bitterly that the gov-ernment has abendoned them when current account sur-pluses mean that it no longer needs their hard currency

earnings for debt servicing.

It has failed to compensate them adequately for a decline in the rate of depreciation of the Turkish lira this year — sterling, for example, has barely marked time. On the other hand to example, with other hand, to comply with GATT anhaldy code obligations, the government finally phased out the prop of export tax rebate incentives in April. The export credits offered by the fledgling Eximbank are a poor substitute. Even Exim-bank officials admit that the subship element of the export credits can hardly make up for

One large concern, Suzer Holding, is diversifying away from trading into property. Last year its trading arm notched up an export turnover of \$220m. Mr Musiafa Suzer, the president, predicts ghoon-ly that this year it will proha-bly decline to only between \$30m and \$150m.

There are some bright spots on the horizon for the traders, however, for example the biossoming market in the Soviet 
Union, which is slowly extending beyond the confines of a 
gas barter deal.

We've spent more trying to win orders in the Soviet Union than we've carned

Turkey's leading trading house, Ram dis Ticsret, last month signed a \$50m order to supply 25,000 tonnes of the total exportable surpins of Turkish tos en streight 90-day letter of credit terms – not to mention a transaction for 125 million range blades valued at 33.7m — ironically, contamination by the fill-out from the Chemobyl nuclear disaster two years ago led to the decision to destroy the winds of the 1968/87

ies crop along the Black Sas. Others are not so sanguine about the Soviet Union. According to one proprietor:
"We spent more money in the
last five years in trying to win
orders in the Soviet Union

orders in the Soviet Union than we carried has a big market, but they simply don't have enough foreign exchange.

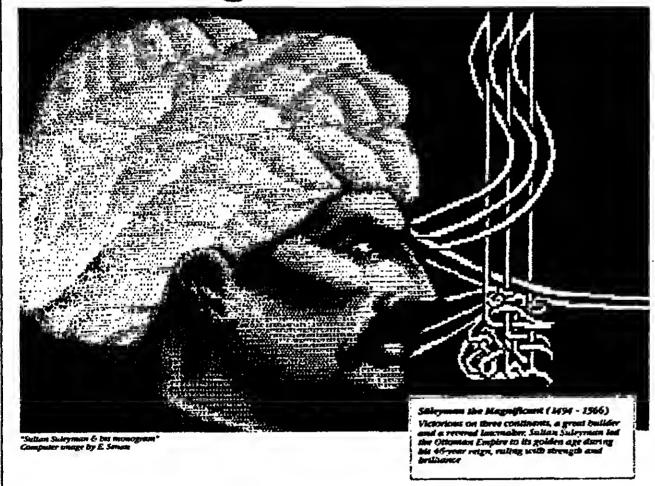
The tribulations of exporters may soon be send, however the Government may be forced to step in with a mini-devaluation in the autumnt to halt the

committee authors to hast the expects slide.

Ominously, the current account was back in the red again by \$5m in the first five months of the yest — after a brief heady spell fillowing the bumper \$1,500m surplus schiered in 1968.

Har Bodgene

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Taxtile manufacturing remains an important activity

INDUSTRY

# Move out of city centre

DRIVE IN from the airport along the coastal road past the district of Kazlicesme (The frontain with the Goose) and the stink from the leather tan-ning vats and curing racks in ramshackle timbered buildings assails the nostrils - not a

assails the nostrils - not a pleasant introduction to the ancient metropolis.

The fountain has survived since the time of the lifteenth century Mehmet, the conqueror of old Constantinople, but its name now seems incongruous against the Dickensian squalor of his surroundings.

The municipality is steadily bringing pressure to bear on

bringing pressure to bear on the leather factories to move down the road to Tuzla. According to Mr Ismail Ozarsian, secretary general of the istanbul Chamber of Commerce, this is part of a general frond in Islanbul away from industry towards trade, finance and services, especially tour-

Industry still accounts for about a third of Istaobul's contribution to Turkey's gross domestic product. Apart from textiles, other important manufacturing activities are sofomotive assembly lines, white

goods and pharmaceuticals. Industrial cooccotration within the city limits was seriously damaging the environ-ment, to the extent that pollution had become a serious health hazard. The situation in Kazlicesme was much worse two or three years ago, with

fumes swirling from under manbole covers in the streets. The clogging of the city's arteries has persuaded industrialists to move out. In the taxtile sector clothing manufacture in small sweatshops now predominates, according to Mr Haill Bezmen, general

muck everywhere and noxious

manager of Mensucat Santral.
"The real textile manufacturers are getting out," he says. The largest concentration of sweatshops is in Merter, with others in places like Besyzovier and Stall. The sweatshops are not subject to government regulation, and many do not pay tax - but at least they present little threat of polintion.

The big textile factories have

moved out to Cerkezkoy in Thrace - Mensucat Santral Thrace — Mensucat Santral still has a readywear operation in Kaeliceame, but its big mill is even further out of town, at Edirne close to the Bulgarian border. My opinion is that in about two years time the government will find a way of offering us high incentives really to move out, to the underdeveloped east of Turkey," says Mr Bermen.

key," says Mr Bezmen. Further investment in industry in istanbul has been dis-courseed by the lack of government incentivas. For these, Turkey is divided into three areas. The two provinces of istanbul and neighbouring Kocaell and its principal city of famir, plus the cities of Ankara, Adana, Izmir and

Bursa, are considered saturated by the State Planning Organisation. The east and south-east of Anstolla are pri-ority inccotive areas. The remainder of Turkey qualifies for normal investment incen-

istanbul accounted for 80 per cent of the inflow of foreign vestment into Turkey in 1986 and is expected to account for the same if not a larger share of expected inflows of \$500m this year - but the money was mainly directed towards trade and finance.

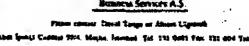
without incentives, and squeezed by borrowing costs and high inflation, letanbul's industry is dublous about the supposed merits to be gained from recent import liberalisa-

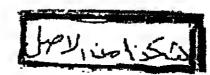
tion - sepscially seriors sup-plying the domestic market. The automotive sector is particularly concerned having long been protected behind high tariff walls. Oper con-super durable manufacturers have similar anxieties.

But a seasoned foreign banker has seen it all before in benker has seen it all before in other countries going Sarough the same sort of development — like Japan in the cart 1860s, followed by Taiwan and South Korea. "Industry is going through a period of reseasment," he says. "The glory days are over. They have to come up with ways to be more competitive, and deliver on quality."

Ani Bodgener

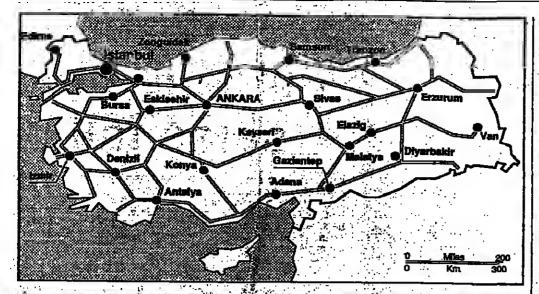
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The Grand Bazzar



nched in early 1986 after a moribund existence since the Ottoman Empire

Will this year's moderate bull market remain durable?

# Slow move out of the doldrums

Exchange has always been the Cinderella of the government's plans to revitalise and deepen the country's savings base through reform of the capital markets. It was relannched amid much fanfare in early 1986 after a moribund existence since the Ottoman Empire when it had the most thriving and exotic dealing floor in the Mediterranean basin.

However, the lack of a strong institutional hand like pension funds, and the overriding priority of election economics - accompanied by high inflation and interest rates brought about a mini-crash on the exchange by autumn 1987. With shares at half their

book value, the exchange lan-guished in the doldrums throughout 1988, surpassed by hetter returns from deposits, foreign exchange, government securities – and mutual funds, of which there are about 30, originally encouraged with incentives as an interim stage to stocks and shares, but which have preferred money market operations in short-term commercial and government securities.

Apart from the mutual funds, the depressant factors in reverse have been to the exchange's advantage in 1989, such are the topsy-turvy vaga-ries of the Turkish economy. Now the main question is whether a moderate bull market in the first half of 1989 will prove durable in the second and wbether, in the long term, more of Turkey's family ownership of industry can be per-suaded to release more jealously-guarded equity.

According to Mr Muharrem Karsh, the exchange president, only one-twentieth of the estiTurkey Istanbul SE Index Jul 1988 1989

mated 25 per cent ownership by leading families of industry surfaces on the exchange.

The capitalisation of the exchange's main market is about TLA trillion (million million), comprising about 50 blue-chip companies. About 25 companies are traded in a secondary market. Yet in the exchange's listing are about 750 companies, shares in the

perhaps once a year. "There is of international and domestic a potential supply in the mar-ket," Mr Karsli says modestly. With the current squeeze on securities. The index had recovered to 793 on August 15, after slumpcredit many might prefer to pay dividends to relieve bank

bt pressure hy going public.

want to take advantage of free

In late July the rally wavered in the face of gloomy

economic statistics and a

threatened flood of attractively priced treasury bonds to soak

up over-liquidity from hand-

outs to discontented bureau-

crats, farmers and workers to compensate them for inflation.

It then stabilised and swung

back in August on the strength

of government assurances, together with the unveiling of

moves to make the lira more

freely convertible, including

throwing open cross border

issues with capital increases

ing a fortnight previously to 658 - despite the 10 per ceot differential between treasury "If prices were twice as much as they are today, most would be satisfied," be believes. Mr bond and deposit returns. The Ankara-based watchdog Capital Markets Board wants Sedat Atki, manager of broker Yatirim Finansman, says even with depressed prices investors

to do as much as possible to encourage the rally, says Mr Sukru Tekbas, its chairman. Already mutual funds bave been stripped of their incen-tives, while draft legislation before parliament includes the introduction of secondary bond trading and rating agencies. Many of the companies quoted on the exchange are not inde-pendently audited to interna-tional standards.

"It is not a deep market at present, but if foreign institutional investors come, like pen-sion funds, prices might go up." says Mr Karsli hopefully.

Jim Bodgener

# Problem of over-liquidity

metamorphosis, into a pading institutions in the banking sec-regional and internation con-tre-taking over from spectorn and wholesale banks have fol-Beirut, quickly gathed pace in the early 1980s ith the

arrival of foreign bank.
With their greater pertise and freedom of minetwise they blazed the trainto for-eign exchange for eviously, hidebound Turkis, institu-tions. Naturally the also made lucrative profits once way, on the back of the port drive: spearheading the germment's

ISTANBUL'S planed about one third of about 60 lowed their example, and the big retail institutions are well into the act too:

Not surprisingly, in some financing - Istanbul is over-banked. About one-third of banking output in Turkey is generated in Istanbul Of the 58 institutions throughout the country in 1988, 44 had their

spearheading the grennient's headquarters there structural adjugment pro Mr Husnu Ozyegin, head of gramme.

Now foreign bas make up top-heavy in terms of trade

its origins going back to 1906

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finance products and corporate banking. On the other hand, it is under-banked in terms of treasury products, asset swaps, financial advisory groups and, in the retail sector, advanced teller machines and consumer credit, he adds.

because branches are too concentrated in the centre instead of covering population movements towards the ontskirts. "The big banks ought to have more dynamic hranch strate-

gies," says Mr Ozyegin. Being over-banked has com-pounded what is turning out to be a tough year all round for the banking sector, compared with a generally good year in 1988. More than half the domestic institutions returned losses in the first half of the year, while foreign and specialised banks struggled to make ends meet with squeezed margins from foreign exchange transac-

Over-liquidity is the main problem. Twe heen in Turkish banking for 15 years, and have never seen a market this liquid both in terms of Turkish lira and dollars," says one banker. With current account surpluses continuing into 1989 from the record \$1.5 bn surplus notched up in 1988, foreign exchange is easy to come by

exchange is easy to come by and the central bank's reserves have never been stronger.

The result has been a sharp brake on the lira's depreciation against most hard currencies. Fierce competition has substantially reduced fees — for example, from 1% per cent to 2 per cent six months ago for letters of credit to about % per cent now. And the apparent cent now. And the apparent petering out in the growth of exports threatens diminishing business in the future. Imports, too, have slowed with the economy's contraction from lack of

Mr Dick Arsenault, head of Koc-American Bank, a joint venture hetween the Koc Group and American Express, says banks have not necessarily slowed down growth, "but they're playing a more conservative gama". Foreign banks obtaining funds from the interbank market are now at a disadvantage with the large domestic retail institutions, lacking the extensive branch networks enabling the latter to shop around for the cheapest

No longer can foreign banks finance themselves from depre-ciation on overnight interbank rates, now ontstripped by high inflation. This year foreign institutions in their main market of trade financing have faced higher interest costs, shrinking yields on assets, con-tracting commissions and fees, and, last but not least, higher staff remuneration in a com-petitive employment market. The foreign institutions urgently need to discover other

niches in the market. "Trade

finance is not everything, they could do other things here,"
says Mr. Ozyegin. One possibility is forfalting, another asset
swapping. "Why should two
Turkish institutions do this
through a London bank when through a London bank when they could perfectly well make nere:

At the same time, the large domestic institutions have been floundering in over-liquidity contracted last autumn when interest rates on long-term deposits were freed. Doomsayers predict turmoil when high one-year deposits taken out at peak 85 per cent rates of interest mature in October, although the median line is that most of the money will be recycled into the banking system anyway.

But the large domestic banks

Being over-banked compounds what is turning out to be a tough year all round, compared with a

generally good year in 1988

have had to struggle with the higher cost of funds, arising out of the differential between the high autumn rates and the gradual decline in premiums since then. With high inflation rendering most corporate lending a bad risk, banks have been at a loss over bow to drain off the liquidity, apart from government securities. One fast-developing avenue is consumer credit, in pilot joint offerings by several large banks with industry Concomitant with the over-

liquidity has been a reduction in capital adequacy, at a time when, under World Bank pressure, the treasury plans to tighten up in line with the Cooke report in the EC though this may be diluted under strong protests from the private sector that European standards are not yet applicable in Turkey. Mr Attilla Basdemir, general manager of Disbank, says: "First of all, Turkish banks need to increase their capital in order to be able to develop."

An encouraging trend is the recognition by large retail institutions that market share is less important than, though interconnected with, profitability. Despite rising rates with the recent turn around in infla-tion, a mad free-for-all has not re-emerged. This signifies a fundamental sea change from the days when Turkish banks saw their primary function as siphoning as much money as possible off depositors through a plethora of branches to be lent to industry from a few out-

Jim Bodgener

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Mr. Ilhan Nebioghi (London Representative Office) 141-142 Fenchurch St. London EC3M 6BL Tel: (01) 626 3803 Tix: 8815102 galo g Fax: (01) 929 55 80

# Taxis take solid nerves

Most business visitors will be surprised to discover on arriving in Istanbul that the erstwhile Ottoman capital offers a first class range of

including direct dialling, telex and facsimile, are among the standard services offered by most five and four star hote Car rentals (Avis, Europear, Hertz), limousine services, escort services and even helicopters (Sancak Air) are avallable to the international business traveller.

#### TRAVEL

Istanbul's Ataturk Airport is It is connected directly with most European, North American and Middle Eastern capitals. The national carrier THY has direct flights to most Western European centres and offers daily flights to London

Service on board is bound to improve once Scandinavia's SAS starts catering for THY as agreed recently. THY also serves a wide network of domestic destinations including Ankara, Izmir, Erzurum, Trabzon and Diyarbakir.

The overnight "yatakli" train (about \$80 return) which departs from Istanbul at 10pm every day and usually arrives in Ankara 10 hours later, is a practical and enjoyable alternative for those who need to go Ankara for the day but do not feel like getting up at an ungodly hour to catch the 7am plane. It is not to be confused with the ghastly Blue Train which has no berths, is unbearably hot in the summer, cold in the winter

and quite unclean. Taxis, bright yellow as in many countries, are now all metered, so there need be no fear of being taken for a ride. Periodically adjusted in line with inflation, fares are still fairly cheap compared to Europe and North America. The 25km drive between the airport and the city centre

costs about TL15,000 (US \$7). Always be sure to have clear directions to your destination. Solid nerves and insensitive ears are your most valuable assets on board since no self-respecting Turkish taxi



driver will drive at moderate speeds or be without blaring "arabesque" music to pound into the base of your skull from his loudspeakers.

Traffic in Istanbul is congested at the best of times. If you are going to the Anatolian side try to avoid the rush hour - or two - on the first Bosporus bridge (the view is spectacular on clear days). Traffic is usually lighter on the Second Bosporus bridge.

#### HOTELS

The best hotels are still the Hilton (tel 1314646) and the Sheraton (1312121). Both have excellent business services,

including spacious conference halls, not to mention

speciacular views of the city. The Etap Marmara (1514996), managed by the Pullman chain, is also recommended. The recently opened Ramada (5139300) in Laleli is outside the city centre but within walking distance of major historical sites, including the Bine Mosque, Saint Sophia and the covered bazaar. The Divan (1314100), just off Taksim, also offers good services at more.

nable prices as does the Macka (1348200). For those on tighter budgets a number of medium-priced hotels is scattered around Taksim square. They can be relied on for cleanliness and

decent services and include the Dilson (1521305), the Keban (1522504), the Riva (1564422) and the Buyuk Londra

#### Should you need to stay on the Anatolian side, the Suadi (3581120) is probably the best

#### RESTAURANTS

Istanbul caters to tastes ranging from Continental to Chinese cuisine. Should you want a typical Turkish kebab, however, Hasir, in Yestlyurt. is highly recommended. Those who need some respite from spices can find excellent Continental cuisine af the post and rather expensive Ziva's in Tesvikiye, which is ideal for business lunches. Samsa and Cubuk 29, patronised by Istanbul's jet set, both offer spectacular views of the Bosporus.

For a touch of local colour (and more reasonable prices) try the fish restaurants unde the Galata bridge or the tavernas in Sariyer. One cannot leave Istanbul without visiting Rejans on Istikia street - a restaurant run by authentic White Russians.

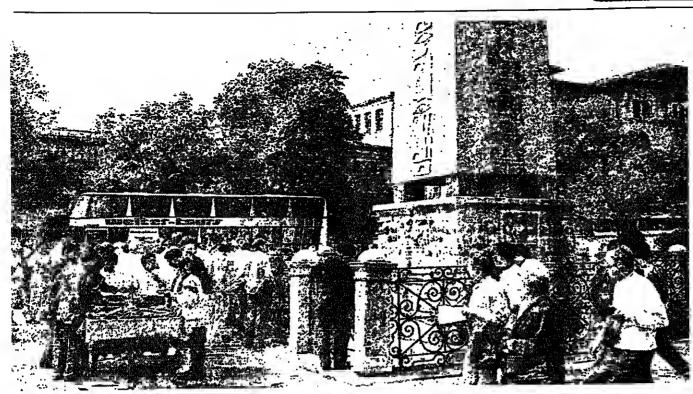
#### TIME OFF

There is no lack of diversion in Istanbul. Belly dancing gypsies can be seen at Sulu Kule, while an exotic programme that includes everything from comedians to belly dancers and from pop singers to Turkish "classical" divas, can be the star attractions of the evening.

Bars are plentiful. Istanbul's intelligentsia frequents Bilsak in Ortakoy, while the beautiful people go to Memo's, also on the Bosporus. If all you want a drink it is best to stick o and your hotel. Simple,

your feet get itchy land offers an impressive range of discos: Samsa, Park Samdan, Etiler 29 and Discoreum are among the best

And if you should lose your assport: British Consulate 147540; US Consulate 1513602; Fench Consulate 1495724; **Vist German Consulate** 



Tourists at the Sultan Ahmet Square

**TOURISM** 

# Red tape ties up building

ISTANBUL IS the givot of Turkey's fast-expanding tourist industry - few visitors fail to visit the capital, either on the inward or outward leg of their

According to Mr Besim Tibuk, chairman of diversified tourism group Net Holding, the ancient metropolis accounts for about half of tourism reve-

One third of foreign arrivals enter the country through Istanbul, but there is a lack of accommodation. Compared with about 100,000 beds in prime tourism regions along the Aegean and Mediterranean. Istanbul has only 20,000 licenced tourism beds, Mr Tibuk points out.

The sbortage is most acute in Istanbul at the five star end of the market - in contrast to the rest of the country, where a plethora of luxury accommodation has outpaced demand to the extent that anxious bote-liers this season offered halfprice holidays in the national

Mr Norbert Spichtinger, manager of the Istanbul Hilton, says business traffic, such as incentive, annual general meeting and convention book-ings, has had to be turned

All developers agree on the need for a proper convention centre if Istanbul is to attract turk Cultural Centre in Taksim Square, and the Hilton's own conference and exhibition centre, are simply not adequate to

host today's scale of events.

Despite this, bowever, the 53 fairs beld by different organisa-tions in Istanbul during 1988,



The Blue Mosque

and the expected 63 this year, indicate the popularity of the

city as a venue. The Hilton and the Sheraton are still the city's premier establishments, with 950 rooms between them, followed by the Pullman-Etap Marmara, all in the central Taksim area. "Wa had the opportunity this year of a Europe IBM meeting," says Mr Spichtinger. "But during the prime March-November season, we couldn't get 100-200 rooms all at once."

That was despite an informal erflow sharing agreement between the Hilton and Sberaton. Even if there were room for large parties, the premier hotels could still hold out for individual bookings at published rather than discounted group rates. Despite a slowing down in the rate of increase,

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room bookings at the Hilton are still 10 per cent up on last year. With the Sheraton, the Hilton did take on a meeting of the Young Presidents' Organi-sation (YPO) — but only at full rates. "That wouldn't happen

chtinger. Some guests are astounded at the rates charged by the Hilton and the Sheraton. On an average as opposed to full rate basis (accounting for discounts and so on), however, the Hilton came out at around \$123 a night with an occupancy rate of 85 per cent during the first six months of the year. This compares favonrably with cities like Tel Aviv. Rome, Milan and Munich, and is behind the UK average of \$135 in June – the going rate at the London Park Lane Hilton is

MEMBER OF THE ISTANBUL

the municipality gets in the anywhere else," says Mr Spiway, like restricting site access to ready-mix lorries to two or three hours in the evenings. The Ciragan complex - there have also been difficulties and

changes between its partners will have taken six years to build on completion next year. "It has taken three years to struction, due to nothing else bnt red tape," says Mr Asat Guneri, head of Zihni Holding, the Turkish minority partner in the project. He claims it represents the first substantial investment from Japan — supposedly eagerly songht by the government. A total of \$36m has been put towards the project by Nippon Fire & Marine, Tokyo Urban Development Corporation and Nissbo Iwai

The tight situation will be

eased in the next couple of

years by the construction of a 511-room Swissotel with Japa-

nese finance, and the comple-

tion of a protracted project to convert the old Ciragan palace

down by the Bosporus into an

820-room hotel complex - to be managed by Kampinsky

Hilton too is building a 130

room extension, the Park Hotel, developed by the Sabanci group across the val-ley from the main hotel. When

all these are completed the number of five-star rooms will

But, according to Mr Spi-chtinger, few of the other big five-star projects - about 20 in

all - look likely to get off the

ground in the near future

because of problems with both central and local government

red tape. Everything down to the minutest detail has to be

ready and approved before con-

struction can start, he says. Even after planning approva

wrung from the authorities

be roughly doubled.

also a partner. Completion is expected at the end of 1990. Strong opposition has been put up by the municipality to a project for a Marriott hotel sur-mounted by a 27-floor tower of offices at a total cost of \$80m. Mr Mustafa Suzer of Suzar Holding, the Turkisb developer, says this will now go ahead after a legal battle. His competitors are not so san-

Constructor. Another Japanese company, Hazama Gumi, is

According to Mr Suzer, the government recently took the issue out of the municipality's hands with a decree that per-mission for such developments in tourism-designated areas rested with the public works and bousing ministry.

The mayor, Prof Nurettin Sozen, says the municipality will respect five-star developments under construction, but will consider future applications in the light of the city's environmental and infrastructure requirements. There was a distinct lack of proper plan-ning control by the previous administration of Mr Bedrettin Dalan, be adds. Beneath the five star end of

the market there is a range of two to four star hotels – an example is the Riva, just off Taksim – catering to both tourists and itinerant business men. Howevar, there is a sbort-age of three and four-star establishments, according to Mr Spicbtinger, who says the present accommodation hardly compares with say, provincial Holiday luns in the UK. That is a moot point. In the Riva, for example, service is reasonably frieudly and efficient, if sometimes inexpert

According to Mr Besim, still more five-star establishments are needed, "The trend in the world is now towards luxury establishments," he says. "Tur-law's towism tematers, heads key's tourism strategy should be geared towards the middle and upper income bracket of tourist and business visitors." Despite the red tape, every-one, it seems, still wants to believe in the burgeoning mar-ket in Istanbul.

# TURKISH **SURVEYS**

The Financial Times proposes to publish a Surveyon TURKISH BANKING AND INDUSTRY

Monday 27th November 1989

\* \* \* \* \* \* \* \* \* \* \* \* \* \* \* \* \* \*

The Financial Times also plans to publish the following

Turkish surveys during 1990

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Turkey

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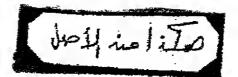
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### **JOBS**

# The weighty dilemma looming for youth

By Michael Dixon

A SURE SIGN of age is	-	•						
feeling nettled instead of sympathetic when younger folk talk solemnly about the	COUNTRY	No. of we each per 1990	orking-age	5-plus in:	COUNTRY	each per	orking-age son aged (	5-plus in:
awfulness of growing old.		5980	2010	2030		1990	2010	2030
Time was when the Jobs	Switzerland	4.6	3.2	2.1	Belgium	4.7	4.2	3.0
column could think of no	W. Germany	4.5	3.3	2.3	Norway	4.0	4.5	3.0
better riposte than to tell	Finland	5.2	4.0	2.5	Jepan	6.2	3.4	3.1
them they have only one	Austria	4.6	3.7	2.6	US	5.4	5.3	3.2
certain way to avoid it. But	Netherlands	5.4	4.5	2.6	UK	4.4	4.5	3.2
demographic trends have	Canada	6.0	4.7	2.7	Spalo	5.2	4.4	3.2
now provided us oldies with a subtler counter-ploy.	Luxembourg	4.7	3.6	2.7	Greece	5.5	3.9	3.2
It is to commiserate by	Denmark	4.4	4.1	2.7	N Zealand	6.2	5.7	3.3

Source: Projections made by the Organisation for Economic Co-operation and Develo

28

2.8

Australia

**Portugal** 

supporting their retired elders, young people in Britain are likely to be relatively lightly burdened by comparison with many of their counterparts elsewhere.

The main object of the consultancy's report is to give detailed forewarning of the prospective costs of

the prospective costs of keeping up present social-security arrangements in various countries if their prevailing damographic trends continue. But anyone who wants the cost figures will need to contact Sue Winterbottom of ECA at 15 Britten St. London SW3 3TY; tel 01-351 7151, fax 01-351 9396.

My sole concern is the

My sole concern is the

in the above table based on data from the Organisation for Economic Co-operation and Development. It estimates how many people of "working age" (defined as 15-64) countries will have for each person of 65 or over, first next year, then in 2010

The figures are only projections: what OECD views as the most moderate of the foreseeable ontcomes if prevailing trends persist. Since population patterns can change markedly in 41 if not in 21 years, what really comes to pass may turn out to be very different. But the mere likelihood

projected future shapes of that the estimates might populations as summarised prove right is surely food for

thought, particularly for anyone starting 40-plus years of earning a living around now. Whatever happens, the people of working age will not all actually be in jobs, and there will be children to bring up as well as oldies to support. So if the reality is anything like the projections,

4.7

6.1

5.6

today's youngsters are going to be hard-pressed. The dozen of them on whom I've used the ploy have talked hopefully of solutions sncb as raising retirement ages or even enthanasia. Happily, however, I doubt that they could be put into effect — in a democracy, at least.

My soundings suggest that, perhaps because the

forward to their pension is earlier than it used to be. People with their retirement date already underlined on the calender even include members of the generation characterised by the lament: too young to be a hippy; too old to be a yuppie. Their votes together with those of us over-50s add up to a

Accordingly, if youth wishes to ensure similar expectations for its own retirement four decades hence, its best bope might be to breed. But when I suggested as much to one of its representatives the other day, he said: "In that case we'd still have to work much harder to bring up enough children to support us when

severe electoral barrier to

any worsening of present

expectations

"How awful it must be to be young," I sighed.

#### IT chief

**HEADHUNTER Geoffrey** King of Cambridge Recruit-ment Consultants seeks an information technology manager for a company south of London with a £300m turnover in consumer electronics. Since he may not

pressure of working life has increased, the age at which workers start looking requests not to be identified to the employer at this stage. So does the other recruiter to

be mentioned later. "The company is a marketing-led business but its IT systems are 10 years

old and need considerable revamping," Mr King says.

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pointing out, with heavily feigned regret, that their

greener years are not going to be as leisured as ours were. After all, in the industrialis d world at any rate, a dwildling of teenage populations in train of lower hirthrates has coincided with

a rise in life expectancy. So

today's younger generations look bound to have to work

unprecedentedly hard to support their elders in

retirement.

Having tried the ploy a dozen times, I can vouch that it at least momentarily blights the bloom of youth in a way highly fortifying to the cover-50s. My only misgiving is that, since all my victims so far are British, I have showered down the acid rain with undue weight. For a report just published by the Employment Conditions

Employment Conditions Abroad consultancy suggests that, when it comes to

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on existing councits with UK counterparties and gene business. As well as creativity and commitment th understanding of swaps pricing is essential.

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Your role, within this major international bank, will involve targeting government and state owned entities throughout Southern Europe to market a full range of products including syndicated loans and financially engineered debt facilities. This appointment, central to the bank's expansion plans in Europe, will involve

## European travel. Ref: 128756/sbt

**Junior Account Officer** £20.000 + benefitsCity

Opportunity for young career banker with good credit skills, preferably US-trained, to make a first move into marketing Supporting a well established and successful marketing team you will gain valuable exposure to a wide range of sophisticated commercial banking transactions within one of the fastest growing banks in Europe. Ref: 128558/sbt

To pursue these and other opportunities please contact one of our specialist consultants. MANAGEMENT PERSONNEL

25 City Road, London EC1Y 1AA 28 01 256 5041 (24 hrs)

Management Personnel LONDON CUILDFORD ST ALBANS WINDSOR NEWBURY BRISTOL

## **ECONOMISTS**

## APPLY YOUR BUSINESS SKILLS TO **OUR COMPLEX BUSINESS**

our diverse activities. Activities which are carried out on government, finance or research. a worldwide scale.

Now - due to internal changes - we're seeking one or more highly experienced economists to become totally involved in the issues which will have a major impact on our growth and profitability. Such as macroeconomic forecasting. Energy analysis. And the economics of corporate finance and planning.

You'll need a minimum of two years' experience. In addition, you should have a post-graduate qualification in

Our Corporate Planning department is the focal point of economics and a proven success record in industry,

Future prospects are, of course, excellent and you can develop your career both in economics or across the range of our international businesses. You can also expect an attractive salary and a full range of bigcompany benefits.

For more information please write, with full CV to Mike Hayton, Head Office Personnel Unit, Brittanic House, Moor Lane, London EC2Y 9BU.

BP is an equal opportunity employer.



## **OPERATIONS** MANAGER

City

Package c. £40,000

This is a well established Japanese trust bank and it has successfully expanded its operations in London to include the full range of international banking services. The Bank is now seeking an experienced individual to strengthen the controls and systems of its back-office function, in line with its plans for further development.

The successful candidate will be required to evaluate and develop all the back-office systems, testing them for both security and efficiency. The Operations Manager will work closely with the Deputy General Manager and must be willing to become involved in any administrative or compliance issues which arise.

Candidates will probably be aged between 35 and 50 with several years' experience in a similar role, or possibly the audit function of a financial services company. Also essential is an appreciation of Japanese institutions and work practices, a flexible approach, and good communication skills.

Interested candidates should send a comprehensive CV, including salary history and day-time telephone number and quoting Ref. 3066 to Vivienne Hines, Executive Selection Division.

Thavies Inn House, 3/4 Holborn Circus, London ECIN 2HB.

CORPORATE FINANCE

A LLK investment house, predominantly involved in Foreign Exchange, Fund Management and Corporate Financial advisory services, require a high-calibre individual to head up their Corporate Finance area. The prime area of involvement will be Property Acquisitions and Financian utilising interest rate swaps and other money-market instruments, Ideally you will have a broad range of financial experience in order to contribute in other areas within the ce, in order to contribute to other a

SENIOR FOREIGN EXCHANGE DEALER

c£40,000 A major international bank in the City are seeking a Senior Foreign Exchange Deater to join their expanding team. You will have a minimum of three years dealing experience in the major currencies, both spot and forwards, together with some cross-currency expertise, ideally you will currently be working for a well-known name and aged between 25

127 Cheapside London EC2V 6BU

Banking Treasury

A major UK investment house has an opportunity for a credit analyst with an exceptional pedigree to join its treasury area. The position will involve establishing parameters for and setting counterparty limits. This role will afford the successful candidate an excellent opportunity to develop a broad knowledge of foreign exchange and treasury products, including futures, options and swaps, impressed parties must have an excellent careft becknowned and be perties must have an excellent credit background and be

CORPORATE BANKING

The corporate banking division of a major US investment bank wishes to identify a key included to complement its existing team. The nature of involvement within the division will demand an individual possessing strong credit skills and a well-established client base, to whom he/ahe can market a range of complex credit products. The appointment is likely to be offered to an individual with a strong degree of dynamism aged late thirties/early foxies. Contact: Sarah-Jane Wittridge

Anderson, Squires

Financial Recruitment Specialists

JAPANESE FIXED

INCOME SALES additional salesperson responsible for Food income sales to the Middle East. You will be in your late 20's sarly 30's, have experience dealing with Middle East institutions and a

c£30,000+ MONEY MARKET

An intelligent/young/dynamic person required for a majo American investment Bank. Experience should include

Telephone: 01-606 1706 Telefax: 01-726 4031 A member of the Parkinson Group of County

c£35,000+

UK MARKETING MANAGER (Big Ticket Leasing)

A major UK house seek applicants able to identify, price, structure and close, high value (ships, property, aircraft) leasing transactions. Salary range £30-£40,000 + benefits.

### LBO/MBO's FINANCE

This European bank seeks two executives. graduates preferred, with strong analytical and some marketing skills to work in their special finance division. One position calls for a marketing track record, the other has more emphasis on structuring. Age range 25-35 years. Salaries neg. £25-£40,000 + benefits.

### SENIOR BANKER/ACCOUNTANT (ACCA/ACMA)

An experienced banker with a professional qualification in accountancy is being sought by a well respected international bank to head up the accounting function and manage the team and to produce a smooth running, problem free department

### **UK MARKETING EXECUTIVES** (Big Ticket Leasing)

We have a major international bank's leasing division seeking graduate bankers aged 25-30 years with proven flair and marketing negotiating skills, specialising in tax based asset finance. Salaries negotiable £25-£30,000 + large bonus + benefits.

#### **UK PROPERTY FINANCE**

This bank seeks a graduate banker aged c30 years with proven skills in providing finance to property developers and commercial loans in the £1m to £10m range. This offers excellent career progression as this is a new venture for the bank, Salary very negotiable.

### STOCK LENDING MARKET MAKER & VERY NEGOTIABLE

A highly respected UK Merchant Bank are Interested to speak to a specialist in stocklending. The Ideal candidate will be in a senior appointment currently managing a team engaged In this function.

OLD BROAD STREET BUREAU LTD STAFF CONSULTANTS 65 London Wall, London EC2M 5TU



# Director, Capital Markets

£Substantial Package

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Surrey

This is a rare opportunity for a creative, practical and experienced Capital Markets professional to join the market leader in mortgage backed securities.

In just over 3 years, we have built an outstanding reputation in the marketplace for service, innovation and professionalism. A wholly owned subsidiary of Salomon Brothers, we are managed independently, and are enjoying rapid growth.

As Head of the Capital Markets group you will be responsible for all aspects of the long term funding of our mortgage portfolio including:

- Security operanons
- Investor relationships.
- Investment Bank relationships Rating Agency relationships.

Candidates will probably be in their 30's, graduates, commercially minded with strong analytical skills. Experience of structured financing will be essential and should encompass asset securitisation and credit enhancement, long term interest rate risk management, the procedure for public debt issues and negotiation with rating agencies. Critical will be a proven transaction record of completed deals and the ability to participate with the management team in developing the overall business of TMC.

The position offers an excellent salary and first class benefits package.

To apply, please write with CV to: Peter Hessey, The Mortgage Corporation Limited, Bukes Court, Duke Street, Woking, Surrey GU21 5XX. Alternatively, telephone him for further information or an application form on (0483) 754414.



# Marketing Manager Global Securities

CIBC ranks as one of the ten largest Banks in North America, employing some 36,000 personnel in 1600 offices worldwide. Within the Financial Services division, our Global Custody department is seeing continued expansion and growth of product range and we are looking for a confident and energetic young professional who can develop our European customer base across the whole financial community, whilst upholding our excellent reputation as a high quality service provider.

We require an innovative thinker who by utilising first class communication skills and on existing technical knowledge of securities (probably gained through at least 5 years experience in a relevant role within a

Introduction. This will entail high level contact with an extensive range of

find the potential is enormous, both in terms of career development with an expanding the excellent remuneration package we

So write or call: Suan Humphreys, Personnel Officer, Canadian Imperiol Bank of Commerce, Cottons Centre, Cottons Lane, London SE1 2QL Tel: 01-234 6415.

Canadian Imperial **Bank of Commerce**  prospective new customers, as well as coordinating and project managing their prospective clients from the professional investment community.

If you're the individual we require, you'll part of a truly international organisation and

# Telephone: 01-629 5909.



### **REQUIRED - EXPERIENCED** SEAQ TRADER/DEALER

International securities company based SW1 seeks dealer experienced in Japanese Securities and SEAQ market-making, for unique position. The company is well-established in London, and seeking to augment its market-making operations with the appointment of an experienced SEAQ trader, preferably aged under 30 years, and with a minimum of 12 months' experience.

Remuneration package is entirely negotiaole, but will reflect the importance of this position, and the calibre and experience of the successful candidate. Exc. bens to include stl. mort. subsidy and N.C.P. (after qualifying period).

Applications with full C.V., write Box A1326, Financial Times, One Southwark Bridge, London SEI 9HL. Attn. Managing Director.

Closing date for applications: 15th September

(NO AGENCIES PLEASE).

#### **BUSINESS DEVELOPMENT** MANAGER

### LONDON BASED - GOOD SALARY + **BONUS + BENEFITS**

A foreign bank with excellent performance record, an international network providing a range of financial services to individual and corporate clients, and looking to expand its trade finance base in Europe, is seeking a Business Development Manager who will report directly to the General Manager.

Applicants should have a financial and marketing background and:

- Familiarity with trade finance techniques; - Be articulate, reliable and highly motivated, Presentation and personality skills are essential for

this position;
- A Good track record in profit generation;
- A working knowledge of foreign languages (Portuguese, Spanish or German).

Traveling both within the UK and abroad will be

Applications to be sent To Box A1323, Financial Times, One Southwark Bridge, LONDON, SE1 9HL along with resume and salary history.

# **Assistant Credit Manager**

**Develop Your Career in Asset Based Financing** 

Following a record volume of business in 1988 and significant planned growth, the UK banking subsidiary of one of the world's largest corporations is expanding its Croydon based head office. The core business is to provide corporate customers with a wide range of financial services, including operating and finance leasing, hire purchase, commercial mortgages, medium and long term business loans, and a range of current and deposit account facilities.

And the state of t

This sustained growth has resulted in the promotion of a member of the Credit Department and as a result there is a need to recruit an Assistant Credit Manager. Reporting to the Director of Credit, you will join a high calibre, dynamic team analysing and preparing detailed credit reports on prospective customers for presentation to Credit Committee, Average deal size is approximately £350,000, although experience will extend to complex, non-standard multi-million pound transactions. Responsibilities will also include visiting

customers to gain in-depth knowledge of their financial situation, future plans and prospects.

Aged 28-35, you are of graduate calibre and have a minimum of five years' experience of credit analysis within a financial institution. You have successfully completed a formal credit training programme and have gained an in-depth knowledge of equipment finance proposals and the associated legal issues, as well as exposure to computer based credit analysis systems.

You will command a competitive salary, which reflects both your experience and potential, and the remuneration package includes a company car and bonus scheme. Future prospect with this expanding organisation are excellent.

in complete confidence, please ring or write to Kate Syms, Simpson Crowden Consultants Limited, 97/99 Park Street, London WIY 3HA.

EUROBOND SALES

On behalf of a major international institution, we are seeking multi-product sales people with at least two years active experience, preferably in a market-making house. The ideal candidate will be either servicing German institutional clients, or UK institutions. Candidates should be creative and innovative in their proach, and a knowledge of swap driven transactions would be a bonus. Package highly negotiable.

## SPOT MAJORS AND CROSSES

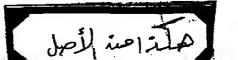
High calibre Spot dealers are required by an expanding international bank with an aggressive outlook. Dynamic individuals with a strong performance record in majors, DM/Yen, 5/Yen or EMS crosses, will be given a large measure of independence and can look forward to early responsibility. The preferred age range is 25-30, but more important is track record, personality and the ability to work in a cohesive ream

### OFF BALANCE SHEET TRADER

An OBS trader is required with particular expertise in FRA trading, predominantly US Dollars and Sterling. Our client has an excellent reputation in the Money markets and therefore will only consider applicants with a very profitable trading record and a stable career background. Please contact Nigel Hulbert or

THE ROGER PARKER ORGANISATION

**BOWL COURT 231 SHOREDITCH HIGH STREET** LONDON E1 6PJ Fax: 01-247 1411 Telephone: 01-247-7632;



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## INTERNATIONAL BOND SALES

Several successful banks in the bond market in course of carefully planned expension seek senior bond fales people with current experience in the following areas.

**BOND SALES UK** 20s/30s £60,000 p.a. UK bond sales professional sought with a minimum of five years experience of selling a wide range of fixed interest sional sought with a minimum of five

FRENCH SPEAKING 20s/30s £60,000 p.a. BOND SALESPERSON -

French speaker with minimum of 3 years' experience and excellent track record of selling fixed interest products to institutions within France is sought. GERMAN SPEAKING 20e/30s 160,000 p.a.

BOND SALESPERSON : Very experienced German speaking sales profes sought to cover wide range of fixed interest products to

BONDSRIES 202/30s -- £40,000 p.a. MIDDLE EAST sional sought with extensive experience of murketing to central banks throughout the Middle East. Ability to speak Arabic would be a great advantage. An extensive range of

BOND SALES CENTRAL 30s £40,000 p.s. Candidate with extensive experience of selling a wide range

fixed interest products will be covered.

TRADERS
US TREASURY TRADER
25s \$40,000 p.a.
Treasury trader from a primary dealer sought by international bank. Essential to have 3 years solid trading experience of US treasuries

ECP/EURONOTE EARLY 20: C630,000 p.a. Young trader with 1-2 years' trading experience of ECP/ protes to cover requirements of bank's corporate clients. All salaries quoted are approximations and are negotiable for

Total confidentiality is assured with everelessed only to those banks agreed with the applicant.

Please speak with Elizabeth Rayford on 01-327 5840 or write to her at:



## Director $\mathbf{of}$ Administration

### approx £35,000-£40,000

Following a review of the Institute's senior management. structure, applications are invited for the above new post which will offer a challenging opportunity for a highly experienced person to develop and manage the Institute's administrative and central services to equipit to face the challenges of the 1990s.

City and Guilds is a Royal Charter body and is Britain's leading examining and testing body in the field of

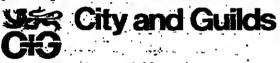
vocational education and training.

The successful candidate who will possess appropriate professional qualifications, preferably in accountancy, will be responsible under the Director General for the cost-effective management of the Institute's physical, financial and human resources.

Applicants are welcomed from industry, commerce or the public services.

Applications to include a full curriculum vitae and the names of 3 referees should be sent under Private and Confidential cover to the Director-General, City and Guilds of London Institute, 76 Portland Place, London WIN 4AA by 20 September 1989.

ancing



## THAI PARTNERS INTERNATIONAL LTD (Members of TSA)

We are a firm of newly established independent London stockbrokers.

An ANALYST - The person we are seeking should have at least 3-4 years experience and thorough grounding in analytical techniques to establish a high quality research product.

A SALESMAN - Ideally someone who is currently involved in marketing Far Eastern Stock to London institutions.

Successful candidates will be expected to play a major role in the further development of this new organisation.

TERMS TO BE NEGOTIATED ON THE BASIS OF EXPERIENCE, CREATIVITY AND ABILITY.

In the first instance please write to Michael Willis Fleming (Chairman) enclosing your C.V. to 41 Botolph Lane, London EC3R 8DL. All applications will be treated in the strictest confidence.

#### ASSISTANT MANAGER LOANS/CREDIT FINANCE to 25,000 + Sub

You will be fully conversent with "SWCONDARY MARKETS" and have a proven background in Loans/
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Re-Structured Loans and Non-Performing Debts. This
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HALIFAX FINANCIAL SERVICES LTD.

### **PRODUCT MANAGERS**

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Already established as the world's premier Building Society, the Halifax is constantly looking ahead to new ideas and future

As part of this progressive approach, we've recently undertaken a major new venture, which looks set to further enhance our reputation as a major presence in the field of financial services.

Having become an appointed representative of Standard Life in July this year, Halifax Financial Services Ltd was established. not only to maximise the potential of this relationship, but to demonstrate the Society's commitment to broadening the range of financial services we offer our customers. And one of our first priorities, is the development of a comprehensive range of assurance and investment products.

Needless to say, meeting this challenge requires first-class management strategies, and that's why we're now looking for experienced assurance and investment professionals, with product management and development experience, to take on a number of

Graduate calibre, you'll ideally have a relevant professional qualification, together with several years relevant experience in the insurance or retail investment field. And, since this is a role which involves liaising and negotiating at all levels, you'll need excellent interpersonal skills, plus a high level of flair and initiative.

In return you'll find that achievement is recognised and rewarded. You'll enjoy a competitive salary, a profit related bonus scheme, concessionary mortgage, contributory pension, life assurance and free BUPA membership. A relocation package is also available.

To find out more about your part in this new, highprofile venture, please apply in writing, with full CV, to the Divisional Manager (Ref PJR), Halifax Financial Services Ltd, Trinity Road, Halifax, West Yorkshire HXI 2RG. Halifax is fully committed to equal opportunities for all.

## Credit Management

#### £multi-million exports Scotland

This is a new and very important appointment to set up and run e centralised, international credit management function for United Distillers whose many leading brands include Johnnie Walker, Dewars, White Horse, Pimms and Gordons. The value of exports exceeds £1.5 billion annually. Risk limitation and optimum cash collection are key objectives. The Credit Manager will formulate policies, leed e smell management team, establish systems end ensure close co-operation with sales companies worldwide. Some overseas travel will be necessary. Candidates, of graduate calibre in their 30s and 40s, must either be senior specialists in export credit management/trade finance or Treasurers or Controllers whose responsibilities have included international credit management in e major group. United Distillers can offer considerable career prospects to outstandingly successful managers. Salary negotiable c. £30,000 or over; excellent benefits; relocation to the West of Scotland. Please write in confidence with full career details to A.W.B. Thomson, Selection Thomson Ltd., 85-87 Jermyn Street,

London SW1Y 6JD or 14 Sandyford Place,

Glasgow G3 7NB. (Tel: 041-248 3666)

Selection Thomson London and Glasgow



## CORPORATE FINANCE

We are currently working on behalf of a number of blue chip institutions who are strengthening their London and International teams. We are interested in talking to individuals with experience of the following:-

- Loan documentation
- MBOs and LBOs Cross border mergers and acquisitions
- European languages
  Familiarity with public company transactions
- Structured finance Sound credit background.
- If you have two to four years' corporate finance experience involving any of these areas please telephone us for further details. Salaries are highly negotiable according to age and experience.

## FIXED INCOME OPPORTUNITIES

Japanese Equity Warrant Sale - £45,000 Sterling Instrument Dealer - £30,000 Neg. Multi-Currency Bond Sales — ENeg. Contact John Faulkner or Mike Brennan on 01-439 1188 or 01-287 5704.

Back to Back Bond Brokers - EV. Neg. Lending Marketing Executive - ENeg. LBO/MBO Executive—£25,000

<u>Tbe Ratbbone Consultancy</u> Premier House, 77 Oxford St. London W1R 1RB, England. Tel: 439 1188/287 5704 Pax: 494 0539

# **SENIOR ECONOMIST**

## JOIN IN OUR SUCCESS

PENSPEN ECONOMICS - A Member of the Penspen Group of Companies Experienced economist to join present two-man team in the Economics Division of a long established international oil and gas engineering consultancy based in London.

The Economics Division works with engineering colleagues on a wide range of technoeconomic studies. It also markets its own services directly to evaluate projects and policies covering all types of energy

We need a man or woman capable not only of conducting economic evaluations and writing good reports but also able to help promote continuing growth of our economics

A competitive salary and benefits are offered, commensurate with age and experience.

Apply with full CV including telephone number, to:
Mr. R. Strugnell, Group Recruitment Manager,
Penspen Services Limited, 20 Grosvenor Place,
London SWLX 7HP

### INTERNATIONAL OPPORTUNITIES *ALITUMN 1989*

The Rathbone Consultancy can now offer experienced Derivative Products Executives career opportunities in New York, Frankfurt and London.

Positions exist in Frankfurt and London. Several banks are currently establishing/ Experience of Drn, E, \$ required.

#### Swaps Marketing Executives

As a number of banks and brokers look to Europe and the developing markets in Spain, Germany, France and Italy, we would be interested in talking to both experienced Swaps Marketeers and Individuals with Capital Markets marketing experience for positions in London and Frankfurt. A second European language would be a definite asset.

developing their New Product Divisions and opportunities exist within the following corporations: Middle Eastern bank seeks a No. 2 for its Swaps

Team. Opportunity to structure and trade. International bank. Newly consolidated New Products Division. Innovative team with large earning potential.

Boutique house wishes to establish a stronger presence. Knowledge of Caps, Floors, Swaptions etc. New system development also a priority.

For a more detailed discussion please contact The Rathbone Consultancy on 01-439 1 188 or 01-287 5704.

<u>Tbe Rathbone Consultancy</u>

Premier House, 77 Oxford St. London W IR IRB, England. Tel: 439 1188/287 5704 Fax: 494 0539

## BANKING OPPORTUNITIES

#### EUROPEAN M & A

Highly Neg

To take advantage of cross border European M & A opportunities, two highly reputable New York institutional brokerage houses wish to develop their London and Europe based corporate finance seams. European nationals with min. 3 years' generalist corporate finance experience within the principal Continental economies would be of particular interest.

#### PRIVATE BANKING -RELATIONSHIP OFFICERS

to £50,000 An established private banking group wishes to expand their substantial client base by recruiting 3 experienced private banking relationship officers. The ability to bring experience to complement a small, well lork, impossive stem is more important than specific geographical or product knowledge.

#### **MARKETING OFFICERS** £30-£55,000 aae

Two international banks seek account officers with min. 2 years' experience in either Southern Europe, Far East or Australasia. Extensive travel (and for the Far East, relocation in due course) is Skely, Product knowledge can be from general or investment banking. Additionally, for the Australesian role, experience of both UK and Australasian based companies is required.

#### BUSINESS DEVELOPMENT - LBOs/MBOs c.£25,000

Our client, a prestigious British merchent bank, seeks a graduate probebly aged mid to late 200 with at least 2 years' relevant expensions. Strong credit and technical stills are required. This is a rare opportunity to join a market leader and

# A young, innovative, high profile group within a major international bank seeks a graduate with min. 2 years' banking, ideally in capital markets. Aged 23 to early 30s, extensive travel to the Benelux countries is envisaged, marketing to corporates and financial institutions.

**QUANTITATIVE ANALYSTS** 

FUND MANAGER - FIXED INCOME

This major intermetional bank, seeks a fund manager with min. 2 years' experience to join a well established team, initially speciationing in gits. This position carries a high degree of responsibility with extensive and numerous types of funds under management, individuels with 2-3 years' direct money management experience of US equities would also be of

**DUTCH-SPEAKING MARKETING OFFICER** 

£22-£38,000 aan

to £30,000 With the complex research systems and advanced statistical models now in use, a range of institutions require telemed quantitative analysts for. Risk Management; Fixed income/Equity Analysis; Index-linked Fund Management; Derivative Products. Successful candidates in their 20s, ideally educated to post graduate standard, can expect to work closely with sales and trading learns.

#### CORPORATE BANKING

to £50,000 On behalf of a leading European bank we are seeking a manager to head the UK corporate banking group. Candidates should be aged mid 30s and have a successful track record of at

Please contact IAN DODD, JULIAN FOX or ROY WEBB.

INTERNATIONAL FINANCIAL RECRUITMENT CONSULTANTS

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Tel: 01 895 8050 Fax: 01 626 2092

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# Jonathan Wren Executive



LONDON HONG KONG

MIDDLE EAST SINGAPORE

SYDNEY

No. 1 New Street, (off Bishopsgate), London EC2M 4TP Telephone: 01-623 1266 Fax: 01-626 5258

# **Marketing Executive**

N M Rothschild Asset Managamant Limited is seeking a young executive to join its merketing department which offers a range of investment products and services to professional advisers.

Ideally aged 23-30, you should have gained some experiance in the investment industry, either in the private client office of a stockbroker or in merketing with a unit trust company. The ability to communicate effectively and a positive outgoing personelity will be prime requirements.

Working in a small team, you will promote mainly onshore and offshore investment products and services.

We offer a competitive remunaration package with the normal banking fringe benefits and the prospect of career development for successful performance.

Please send a full curriculum vitae, in strict confidence, to:

The Personnel Menager, N M Rothschild Asset Menagement Limited, New Court, St Swithin's Lana, London EC4P 4DU.

N M Rothschild Asset Management Limited



# Private Banking

### **European Appointments**

Our client is a leading international American bank with a significant European presence and a prominent reputation in the Private Banking sector.

Business growth has created the need for additional Private Bankers within their European offices. The positions will involve the marketing and delivery of a wide range of private banking services including

investment, trust and credit products.

In particular candidates, with a minimum of 5 years experience, should demonstrate the following:

- Proven ability in marketing financial
- services
   Personal qualities of strong communi-
- cation skills and self-motivation

  Ability to develop effective marketing relationships with important private
- Working experience with international equities and fixed income portfolios

In addition, language skills would be a definite advantage.

Career development opportunitie are excellent and a competitive salary and attractive sales bonus will be augmented by a package of fringe benefits in line with best banking practice.

Please write with a full c.v., indicating present salary level and quoting reference 1050/LB/89, to: Lisa Booth, Consultant, Austin Knight Selection, Knightway House, 20 Soho Square, London W1A 1DS. Alternatively, you can telephone her on 01-439 5782 (01-494 1093

ings/weekends). Applications will be forwarded to our client therefore companies in which you are not interested should be listed in your covering letter.

Austin Selection

## Portfolio Trader European **Equities Trading**

Further strengthening our service capability across the range of Equity products and instruments, Merrill Lynch International Limited now seeks to appoint an additional trader with responsibility for the European component of client portfolio trades.

We are interested in candidates who can demonstrate experience of at least four major European markets, with knowledge of the settlements mechanisms as well as trading. Effective relationships with local brokers would be valuable and candidates with related and relevant background in the indicated markets will also be given consideration.

Working within a small specialist group, there will also be involvement in implementing new strategies and techniques to minimise risk. An interest in or familiarity with PC-based systems, including the downloading and manipulation of multiple data leeds would be advantageous.

The position will be London based. Some client visits will be required, and an ability in French or German would be of undoubted benefit.

Our remuneration terms include potential bonus earnings and should not prove an obstacle for the right individual.

Applications will be treated in strict confidence. To apply, please write with full career details to Alan Beazley, Personnel Manager, Merrill Lynch Europe Ltd. Ropemaker Place. 25 Ropemaker Street, London EC2Y 9LY, Initial interviews will be held on 18 and 19 September In London.



## SENIOR INVESTMENT ANALYST **FAR EAST EQUITIES**

### The opportunity to join a progressive UK investment management firm.

This is an opportunity for a graduate In an economics/numerate discipline who has gained at least two years' experience in the analysis of Far East equities either In broking or investment management to join the London-based international department of a highly successful investment management operation.

As a member of a compact team your job will entail research into Japanese and other Far East companies and market sectors and the provision of investment recommendations to senior management. This will necessitate visits to Far East countries and considerable

The company has an Impressive growth record and manages a wide range of funds, with assets in excess of £5 billion. The atmosphere in the firm is professional and friendly and opportunities to progress into the management of your own funds are excellent. The compensation package includes a competitive base

salary and a mortgage subsidy.

If you would like to be considered for this position, please telephone Michael Thompson on 01-222 7733 or write to him at John Sears & Associates, **Executive Recruitment Consultants, 2** Queen Anne's Gate Buildings, Dartmouth Street, London SWIH 9BP.

## John Sears and Associates

WE CAN TELL YOU WHAT YOU

CAN DO!

Our tests of aptitude and interests reveal your strengths, and which cureer will give you must senisfaction. Find our at any age what you maily can do.

CAREER ANALYSTS

Si Gleucester Piece, IL;
 Si - 935 5452 (24 hrs).

### **CREDIT ANALYST**

The bank of New York, with a history of axcellance that apans over 200 years, has a challanging opportunity for a graduate with 1-2 years practical banking experience.

Wa ara looking for a trainag analyst to join our influential credit taam. Experience gained within the depertment will provide an axcellant base for future advancement within the Bank.

Our compansation and banafita package le highly compatitiva. Plaasa forward your datallad c.v., ataling

Mr J M Johnston, Manager, Credit Department The Bank of New York 46 Berkeley Street LONDON W1X 6AA

THE BANKOF NEW YORK

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Detaile: Please obtain from School Secretary, RSPecS(062) 49 2678. Fax: (062) 57 1693, before applying. Closing date: 30 October 1889 Ret. PA.S.S.L.

PA.S.S.T.

SALARY: Postdoctoral Fellow Grade I (fixed point): ASZ, 139 - ASS, 862 p.s., Research Fellow ASS, 129 - ASS, 862 p.s., Senior Research Fellow ASS, 104 - ASS, 141 p.s. APPORITMENT: Senior Research Fellow/Research Fellow tip to three years, possibility of extension of the years; Posstoctoral Fellow non-mally hive years, possibility of extension to three years. APPLICATIONS should be submitted in outplicate to the Registrar, the Australian National University, GPO Box 4, Canberra, ACT 2501, Australia, quoling reference number and including curriculum vitas, list of publications and names of at least three referees. The University reserves the right not to make an appointment or to appoint by invitation at any time. Further information is evaliable from the Registrar, or from Appointments (36730), Association of Commonwealth Universities, 35 Gordon Square, London WCH OPF.

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ANAGEMENT

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Applications are invited for the nawly established Dalgety Professorship of Food Management end Marketing, to be held jointly in the Departments of Food Sciance and Tachnology and of Agricultural Economics and Management.

The Professor will be expected to play a leading rola in developing rasearch and taaching in management and marketing as it affects firms in tha 'Food Chain'. Applicants should have a distinguished record of research and publication in managamant and marketing studies, and hava close links with industry.

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Further information may be obtained from the Registrar, Room 212, Whiteknights House, P.O. Box. 217, The University, .Whiteknights, Reading RG6 2AH. Talephone: 0734 318045

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Representatives who are experienced in private clicot management. You must be able to demonstrate the ability to generate new business cootacts and be capable of organising and running a new office. Career prospects are excellent, with income packages

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Exchange and The Securities Association)

confidence. (Waters Lunniss are Members of the International Stock

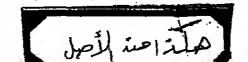
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rate internationally, supplying training advice and services of the sest quality to financial institutions. 50, naturally, we set high andards of character and competence for our consultants.

lypamic personality, companing initiative, creativity and neophiny. We are looking for training consultants with expertise in any of the following areas: capital imarkets, credit analysis, corporate finance, treasury, mergers and acquisitions, and derivative products. Incy in it least one language other than English would be an advanta

ency in at least one, language other than English would be an ed Being comfortable working with computers is essential. We un extensive use of computer-based training because and com nulations and, in 1988, won a National Training Award for innor rating with Gobel Tracier, the world's most sophisticated and in tracing similator. Naturally, for someoneso special, we offer an attractive remains package. If you could justify it, please reply, with CV and salary d





### LONDON STOCK EXCHANGE

was confirmed. There was a

sharp rise in BAT Industries

on a suggestion in the market

that Hanson Trust was on the

point of counter-bidding

against the offer for BAT from Hoylake, the Sir James Gold-smith-led consortium, so confi-

dent were the speculators that they eoon embroidered the

story by asserting that Hoy-

lake would then bid for

make a strong recovery from the loss-making second half of

1988. "The market has been looking for sectors lagging behind the market and it has settled on the merchants."

The tiny radio sector hogged the limelight among leisure stocks. Capital Radio burst

through the £10 barrier in a tight market and helped by an unequivocal buy note from Mr

Chris Akers at Citicorp Scrim-

geour Vickers. Ha cites the suc-cess of Capital Gold, a parallel

channel aimed at a wealthier

age group, and above average growth in advertising revenue.

He is looking for price of £12 a

share by the preliminary fig-ures, due in November, and

"£20 a share in two years time seems tenable." Capital closed

37 better at 1003p The rest of the radio sector

moved up in sympathy, led by Metro Radio, up 19 at 223p and Miss World, which closed at 638p, a net rise of 20. The latter

sold its 8½ per cent stake in Liverpool's Radio City, through Citicorp, at a slight

discount to the 560p market

price, thereby raising around £600,000 for Miss World. City

Scottish TV put in a strong performance, helped by a buy circular from Hoare Govett,

The shares climbed 27 to 511p

in thin trade. The TV sector

reporting season starts tomor-rew with Tyne-Tees, also rec-ommended by Hoare, which closed 7 to the good at 470p. BZW downgraded Midsum-mer Leisure "to a level in line with the rest of the market." It

shares fell 17 to 199p.
A long line of Rank Organi-sation stock hung over the

market, depressing the price to

933p, down 17 on the day. The line on offer was said to have

arisen from of recent disposals by directors and employees as

their options became exercis-

retailing sector issued by County NatWest WoodMac kept most of the stores under

A bearish circular on the

closed 7 better at 567p.

noted one analyst.

# Closing upturn brings new 1989 peak

further display of confidence yesterday, rallying from early losses and closing with a burst of speculative activity which focussed around a handful of the leading international stocks. The FT-SE Index closed at e new 1989 peak, helped once again by trends in the FT-SE futures contract, where an early discount against the underlying Index was sharply reduced later.

Against the background of speculative interest towards the close, the London market appeared to brush off the day's developments in the currency markets. While the intervention by central banks to curb

Account	Dealing	)alee
Tiest Declings: . Aug 14	Sep 4	Sep 18
Option Decimation Aug 31	Sep 14	Sep 28
Last Deslinger Soy 1	Sep 15	3ep 29
Account Day: Sep 11	Sep 25	Clet B
Tierr time dealle 2.00 am two basi	go mey take p	lece-from- ler

the dollar's rise suggested that US interest rates are likely to stay high, implying a similar outlook for British base rates, there was no immediate reaction in London equities. Yes-terday's dip in the sterling exchange rate index, while potentially disturbing for domestic interest rates, failed

running as the session drew to a close with buyers paying par-ticular attention to BP. Specialists said the sector had come in for a strong mea-sure of support from funds who are looking for sectors left

behind during the recent market upsurge. Dealers spoke of strong and sustained buying interest for traded options in many of the leading oil issues, but most obviously for BP.

obviously for RP.

The demand for the traded options led to a spate of buying for the underlying stock, which, coupled with talk of concerted US buying, lifted the BP share price to 310p by the close, a net gain of 4%.

Turnover in BP expanded rapidly, with seaq screens showing a total turnover of 10m shares, one of the biggest volumes for some time. How-ever this was said to include a trade reporting error of 3.3m. There were also whispers of a possible divestiture by BP. The whole of the oil sector was up and running as the ses-

sion drew to a close. Specialists said the sector had come in for a strong measure of support from funds who are looking for sectors left behind during the recent market upsurge. Dealers spoke of sustained buying of traded options in many of the leading oil issues, but most obviously for BP.

Demand for the traded options led to a spate of buying for the underlying stock, which, coupled with talk of concerted US buying, lifted the BP share price to 310p by the close, a net gain of 4%. Turnover in BP expanded rapidly to 10m, the biggest for some considerable time, although this included a trade reporting error of 3.3m. There were also

and turniover here grew strongly, eventually settling at 7.6m. The Shell share price jumped 9 to 445p reflecting growing optimism over the div-

on September 14 Enterprise Oil shares kept up their recent good performance, adding a further 8 at 803p on turnover of 453,000; the market is still looking for an out of court settlement of the Texas Eastern assets sale saga.

market adding 5 more at 352p following the recent County NatWest WoodMac "buy" note; County's oil team says "Develto upset equity investors.

Equities opened uneasily,

Metropolitan and Brent Walker with share prices under pressure as a modest £30m trading programme was operated by a leading UK banking house. Lit-tle comfort was taken from a batch of corporate trading results, and the FT-SE Index was soon 8 points off.

Trading volume was still light, and bid stocks were clearly "on hold" as the market awaited further developments on a number of important bid

FT-A All-Share Index

**Equity Shares Traded** 

1150

600

few years.

Allied-Lyons, the food and brewery group. Similar speculation flared in The market came alight just after 4.00pm when oil stocks, Lonrho stock, said to be a posincluding the stock futures, blazed ahead. The takeover sible target for Minorco, recently thwarted in the battle sector also came alive as a for Consolidated Gold Fields.

and also for RTZ, a new addition to the speculative lists. The sudden upswing in these leading stocks, together with tha activity in the stock futures markets, soon spread across the rest of the equity sector. By the close, the FT-SE Index was a net 6.8 up at 2.426.0, within 18 points of the all-time peak.

Outside of the special situations, equity trading remained fairly thin, and traders sounded cautious over assessing the late rise in the share market. Equity analysts will be watching carefully for sterling's performance in the foreign exchange markets over-

come from the US and says the formance, coupled with its growing share of an expanding strong dollar is good news for European corporate finance market. For Kleinwort it was said the interim figures, expected on September 13, could be lower than the first half last year but that the group would

ahead at 268%p.

Amstrad also made progress,

adding 2½ at 77p on turnover of more than 4m shares, still boosted by the recent big order for satellite receiving equip-ment, Amstrad's preliminary figures have been pencilled in for September 28, with analysts going for a pre-tax profits fig-ure of £85m compared with last year's £160m.

Better than expected figures UK as people were expecting." Foods was one of the livelier

The electronics and telecoms issues were highlighted by the increase in activity in British Telecom, where big demand for the traded options, with plenty of interest said to have emanated from the US, boosted turnover to more than 10m hares. BT shares settled 11/2

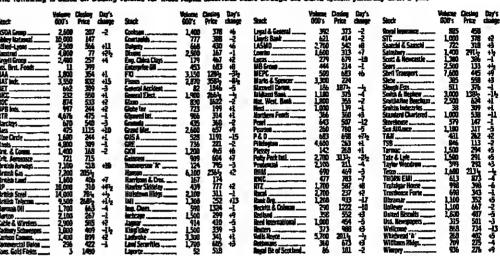
VG Instruments leapt a further 24 to 503p, with the mar-ket gripped by stories that a move for the BAT 63 per cent stake could be imminent. "A deal over the BAT stake is just e matter of time, with 600p-plus on the cards," said one watcher of the story. It was also said that the identity of one of the potential buyers of the BAT stake could surprise the market; a pharmaceutical group said to be at the front of the queue.

from engineering major IMI mushed the shares 13 better to 252p. County NatWest Wood-Mac was one broker to increase its full year forecast, from £123m to 126m. Mr Sandy Morris, at County, said that the company's international diver-sification "means that 52 per cent of its sales are overseas. so it isn't going to be as badly affected by a slowdown in the

49.18 (3/1/75) (9/1/36) (8/2)97.18 97.83 97.78 97.88 98.18 95.74 Fixed Interest 99.59 95.21 105.4 50.53 (28/11/47) (3/1/75) (15/3) (13/6)2006.5 2006.8 1447.8 (3/1) 2008.8 154.7 (17/2) (15/2/83) (28/10/71) 2426.0 2419.2 2407.5 2387.9 2381.3 1768.0 FT-SE 100 Share 2426.0 1782.8 2443.4 (16/7/87) (23/7/84) Basis 100 Govt. Secs 15/10/25, Fired Int. 1923, Ordinary 1/7/35, Gold mines 12/9/55, Basis 100 FT-SE 100 31/12/83. ☆ NII 12.68 3.94 9.43 12.78 Ord. Div. Yield 9.58 12.59 9.61 12.55 12.02 10.12 Earning Yid %(full) P/E Ratio(Net)(\$\alpha\$) SEAG Bargains(5pm) Equity Turnover(2m)? Equity Bargains† Shares Traded (mi)† 28,392 823.46 39,932 343.8 32,084 884.00 31,901 421.6 25 737 18.657 S.E. ACTIVITY Sep 1 Gilt Edged Bargains 86.4 Gilt Edget Bargains
Equity Value
5 - Day average
Gilt Edget Bargains
Equity Value
SE Activity 1974, 1Exclud
business & O'seas burno
and latest Share Indoor. Ordinary Share Index, Hourly changes Day's High 2008.6 Day's Low 1999.0 N/A FT-SE, Hourly changes Day's High 2426.0 Day's Low 2410.4 Open 2420.0 2417.7 2414.7 2410.5 2410.7 2411.8 TRADING VOLUME IN MAJOR STOCKS

FINANCIAL TIMES STOCK INDICES

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.



Kitcat & Aitken. He trimmed

his forecast for the current

year's profits from £94m to

BATs' strength undermined

sectors. There was continued switching ont of of Asda and into Argyll. The former has been subject to bonts of speculative trade while the latter's fundamentals beve been belped by Monday's link with two European companies - dealers are hoping for more such deals to follow. Asda slipped 2 to 207p while Argyll tonched 258p before settling at

257p, up 4 on the day, helped by a single early morning trade of Im shares. A tiny rise in interim profits at Booker weighed heavily on the shares initially. They slipped to 456p before recover-ing to close 2 better on the day at 560p. The recurrence of vague bid talk was "the last refuge of a stale bull," accord-

ing to Mr Carl Short, analyst at

RHM, subject to stories that it would be a bid target should the BATs takeover attempt fail. The shares shed 3 to 469p. ADT posted a 32 per cent rise in six month profits and a scrip

£91m.

of one share for every 47 held. The shares were firm, particularly in the light of going ex-dividend, climbing 2½ to 211p. Mr Roy Owens, at Kitcat & Aitken said ADT is "heading for strong growth in 1989 and longer term from its defensive core activities - the rating is

undemanding for a stock of this quality County NatWest WoodMac joined other brokers in publishing bullish comment on British Airways' proposed 15 per cent stake in United Airlines of the US. The sbares British Airways closed 10 to the good at 218p.

Brewery stocks were in the limelight again at the close, with Allied-Lyons spurting ahead to close 11 up at 566p on hints that the Hoylake consortium, facing problems with its BAT bid, will switch its attention to the brewing/food group.

The chairman of Brammer said that margins were under pressure and growth was slowing. The shares fell 13 to 249p.

Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

FIDELITY WORLD FUND

Societe d'Investissement a Capital Variable 5, Boulevard de la Foire

R.C. Laxembourg 9497

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY WORLD FUND, a societe d'iovestissement a capital variable organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, 5, Boulevard de la Foire, Luxembourg, at 11:00 a.m. on September 26, 1989, specifically, but without limitation, for the following purposes:

Approval of the balance sheet and income statement for the fiscal year ended May 31, 1989;

Election of eight (8) Directors, specifically the re-election of the following eight (8) present Directors: Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Jean Hamilius, Hisashi Kurokawa, John M.S. Patton, Harry G.A. Seggerman and H.F. van den Hoven;

Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg;

Consideration of such other business as may properly come before the meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: August 24, 1989 BY ORDER OF THE BOARD OF DIRECTORS

1. Presentation of the Report of the Board of Directors;

Discharge of the Board of Directors and the Auditor.

2. Presentation of the Report of the Auditor;

Declaration of a cash dividend in respect of the fiscal year ended May 31, 1989, and anthorization of the Board of Directors to declare further dividends to respect of fiscal year 1989 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.

DAVID REED

or write to him at:

Number One Southwark Bridge London SEI 9HL

# **CAPITAL MARKETS**

The Financial Times proposes to publish this

### 16th OCTOBER 1988

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# INTERNATIONAL

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**FINANCIAL TIMES** 

## survey on:

## ATSUGI MOTOR PARTS CO., LTD.

ATSUGI UNISIA CORPORATION U.S. \$100,000,000 4½ per cent. Guaranteed Bonds Due 1993 with Warrants

NOTICE IS HEREBY GIVEN to the Bondholders that effective 1st September. 1989, Atsugi Motor Parts Co., Ltd. has changed its corporate name to Atsugi Unisia Corporation.

**Bonds with Warrants** 

The Bonds with Warrants will oeither be stamped nor exchanged and will remain listed on the Luxembourg Stock Exchange under Atsugi Motor Parts Co., Ltd., following the new name of the Company, Atsugi Unisia Corporation.

All further notices regarding the issue shall refer to both names. A complementary legal ootice as well as the Articles of locorporation of Atsugi Unisia Corporation have been registered with the Greffier en Chef do Tribuoal d'Arroodissement de et à Luxembourg.

## **BUSINESS SERVICES**

Business Services advertising appears every Tuesday. For advertising information please telephone ADAM FUTERAN 01-873 3559/01-407 5763

#### Confirmation of Brent Walker's purchase of Grand Metropolitan's betting shop businesses came in two parts yesterday, bringing further reaction in the shares of both the leisure industry companies. The opening shot came early with Brent's admission that it is selling its Whyte & Mackay whiskyoperation to a manage-ment consortium - another market story confirmed. Later, the whole equity market responded bullishly to the announcement that Brent is

deal

intrigues

BEECHAM V ANGE DEALE

is sugar

1 75 gg.

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MOON

paying £685m, mostly in cash, for GrandMet's betting shops. GrandMet shares already firm, jumped ahead as the deal was announced, and closed a further 6 up at 654p for a net gain of 21p since the plan was hinted at in the press. Cash in hand is always good news.

The market was more intrigued by the news on Whyte & Mackay, which was interpreted as only the opening move in Brent's plans to sell the whisky firm. A management buyout, runs the market view, would be the least attractive disposal route; a better

1 - 10 t 77 

 $\sim 1 \times 1 \times 1$ 

No. of Persons in

price may be found for Whyte & Mackay by a direct sale to a third party. Brent Walker shares slid a further 13 to 376p. LASMO activity

LASMO, the independent oil company, was at the forefront of a general advance by the oil sector. The share price moved up 8 to 603p on much bigger than usual turnover of 2.7m. Kleinwort Benson, the secu-rities house, were said to have been behind the latest upsurge in the shares. In their Drill Bits Weekly, the Kleinwort oil team reiterated its buy recom tion on the shares. It said that the recent drilling success on the West Claymore and East Piper fields in the North Sea confirmed an excellent first half for LASMO in the North Sea," adding that the group's international drilling campaign "is in full swing, and discov-eries on the Espinale permit in Colombia and the Tajjal permit in Pakistan await confirmation in their first half preview on

September 13." In our view LASMO has added 60p a share to asset value from the North Sea alone in the first eight months of 1989; the international drilling campaign may have added as much again — the shares should be nearer 600p."

BP options boost

The oil sector was up and

**Senior posts** 

■ Mr Peter Lumb, an executive director of the Leeds

Permanent Building Society, has been elected chairman of LINK, the branded cash

former chairman of the LINK network and head of electronic

network. Mr John Hardy

Girobank, becomes chief

completed the restucturing

Highett-Smith as merchandise director. He will join the company on September 18 from the board of Argyll Foods.

Mr Robert C. Akroyd has

been appointed managing director of DAVY ENERGY

new company, based in · Stockton-on-Tees, brings together a number of Davy technologies including nuclear

of Davy Corporation.

AND ENVIRONMENTAL. The

engineering and will operate as part of the process division

Mr James Hayward has been

GROUP. He was internal audit

Mr Wolfgang Mosebach has

become a board member of

appointed head of internal

audit, HILL SAMUEL INVESTMENT SERVICES

of its main board with the

appointment of Mr Paul

consumer banking at

GATEWAY
FOODMARKETS has

at LINK

NEW HIGHS (219).
AMERICANS (20) MANCS (8) EMEMBERS
(7) BUBLINNOS (1) CHEMICALS (8) STOPES
(8) SILECTRICALS (8) SHAMESTRING (8)
FOOCS (12) HOTELS (2) SHAMESTRING (8)
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Erompton, CSR, Computer People, Graffon,
Maccarthy. Page (M.), Feuters, Fussell (A.),
Schlomberger, Sidaw, Sinclair (W.),
Schlomberger, Sidaw, Sinclair (W.),
Bus. Grp., Stonebill, Tech, Project Burv.,
Tomicine St. Jun Co., P. Whitescry.

**NEW HIGHS AND LOWS FOR 1989** 

Ultramar remained a firm

whispers of a possible divesti-ture by BP Shell attracted keen interest

tires, hardened to 233p.

worts to around £80m was said to have been behind the Kleinre-rating of SG Warburg.

gan Grenfell were 4 better at 3420. Hambros, restrained by is forecasting current year concern over Hambro Country profits at £10m, against the wide's imminent interim fig. Talk that a top UK securities bouses had doubled its full-

year profits estimate for Klein-

to 663p but here too turnover of 1.7m was sharply higher than usual levels in the stock. Burmah is dne to reveal interim figures tomorrow with Kitcat & Aitken going for net

opments in the refining indus-

try have potential to add 30 per

cent to 50 per cent to Ultra-

mar'a net income over the next

Burmah ran into profit-tak-

ing which lowered the shares 4

income of £48m against £37.5m last time with an interim dividend of 8p against 7p.

The merchant banking sector took off on another scintil-lating run, which left SG Warburg up 9 more at a year's best of 463p. Kleinwort Benson jumped 19 to 370p, Schroders raced up 20 to 1325p and Mor-

wort share price surge, while a recent Kleinwort upgrading of Mercury Asset Management was said to have triggered a In the background to the

share price rises, specialists pointed to Warburg's substan-tial presence in securities mar-

kets showing a healthier per-

pressure. GUS "A", in particular, suffered, with the shares down 15 at 1191p with County saying the shares had run "far emough." Ratners moved against the trend, however, after Kitcat and Aitken, the brokers, advised clients to buy the shares Mr John Chataweay at Kitcat, says Ratners are "an anomaly in the sector, with trading currently going very well." The Kitcat analyst says 35 per cent of Ratners profits

director at JOHN GOVETT & CO.

■ Mr Noel R.W. Strong has joined the WARD GROUP as

group chief accountant. He

International.

was formerly finance director with Vickers Instruments

UK LIFE has appointed Mr Ian Hancock as its legal

Mr Nigel Berry has been

advisor and company

MSURANCE (2) LEBURE (11) MOTORS
(3) NEWSPAPERS (2) PAPERS (3) PROPERT
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PROPERTY (2) OLS (1). **APPOINTMENTS** 

GMFanue Robotics Corporation (USA) in April.

THE BLACK COUNTRY DEVELOPMENT CORPORATION has appointed of investment. Before taking up this post, Mr Kerr worked for the Corporation on secondment from the Department of the Environment, where he was regional principal for the local urban programme.

OF DILLONS BOOKSTORES. the bookselling chain owned by Pentos, on September 18. Mr Rivers, who previously worked for Pentos as a director of Pentos Publishing Group, was until recently sales and marketing director of Thorsons Publishing Group.

Mr Alexander Hooton has been appointed to the board of PRIVATE CAPITAL within The Private Capital Group, itself a subsidiary of

made financial controller of WASSALL

Mr Patrick Arnold-Baker (above) has been appointed managing director of DUR-KOPP (UK), the specialist sup-plier of industrial sewing machines. He has spent the last 16 years as a technologist with Marks and Spencer, lat-terly as the technical execu-tive of its Childrens Wear buy-

of AB Elektronik in Werne, West Germany, since 1980. He was appointed an AB product group director two years ago and is responsible for the automotive products section.

made a non-executive director. He is a non-executive director

AB ELECTRONICS GROUP. He has been managing director

EMAP, the magazine, newspaper and exhibitions group, has appointed Mr David

Arculus (above) as group managing director. He is currently deputy group chief executive.

MAT BRYANT GROUP Mr Hugh W. Laughland has been

Mr John Halenda has been appointed managing director of GMFANUC ROBOTICS (UK). This follows the purchase of 600 Fanuc Robotics by the

E Following the merger of RHM's bulk chocolate companies as S&A LESME, Mr N.H. White and Mr A.L. Edgar, who are currently responsible for finance and operations, become finance director and operations director respectively.

■ Mr Julian Rivers will become marketing director

FINANCIAL SERVICES, the independent financial adviser the Scandinavian Bank Group.

. Mr Nicholas Watts has been promoted to investment

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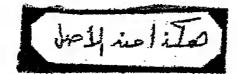
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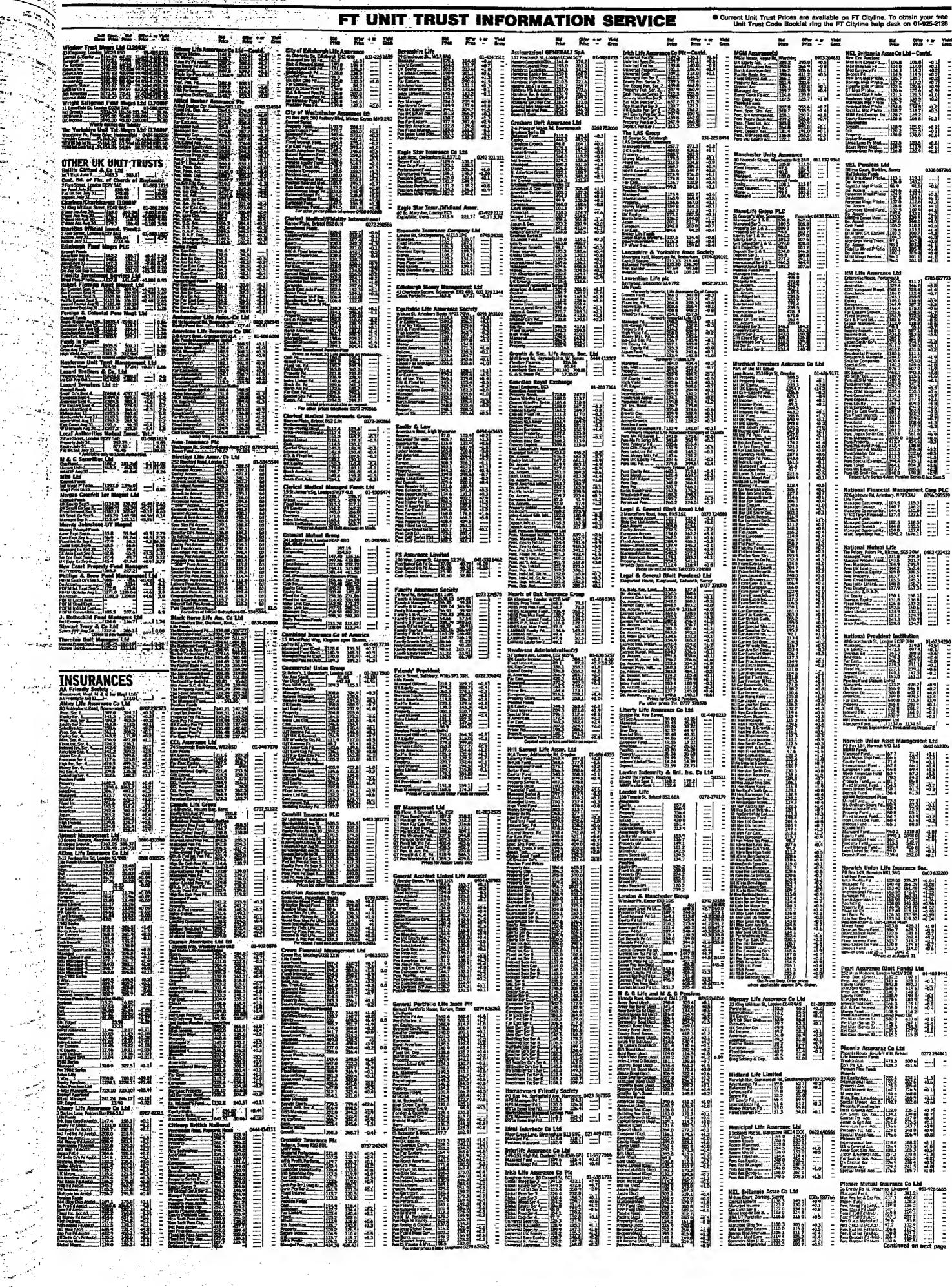
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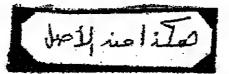
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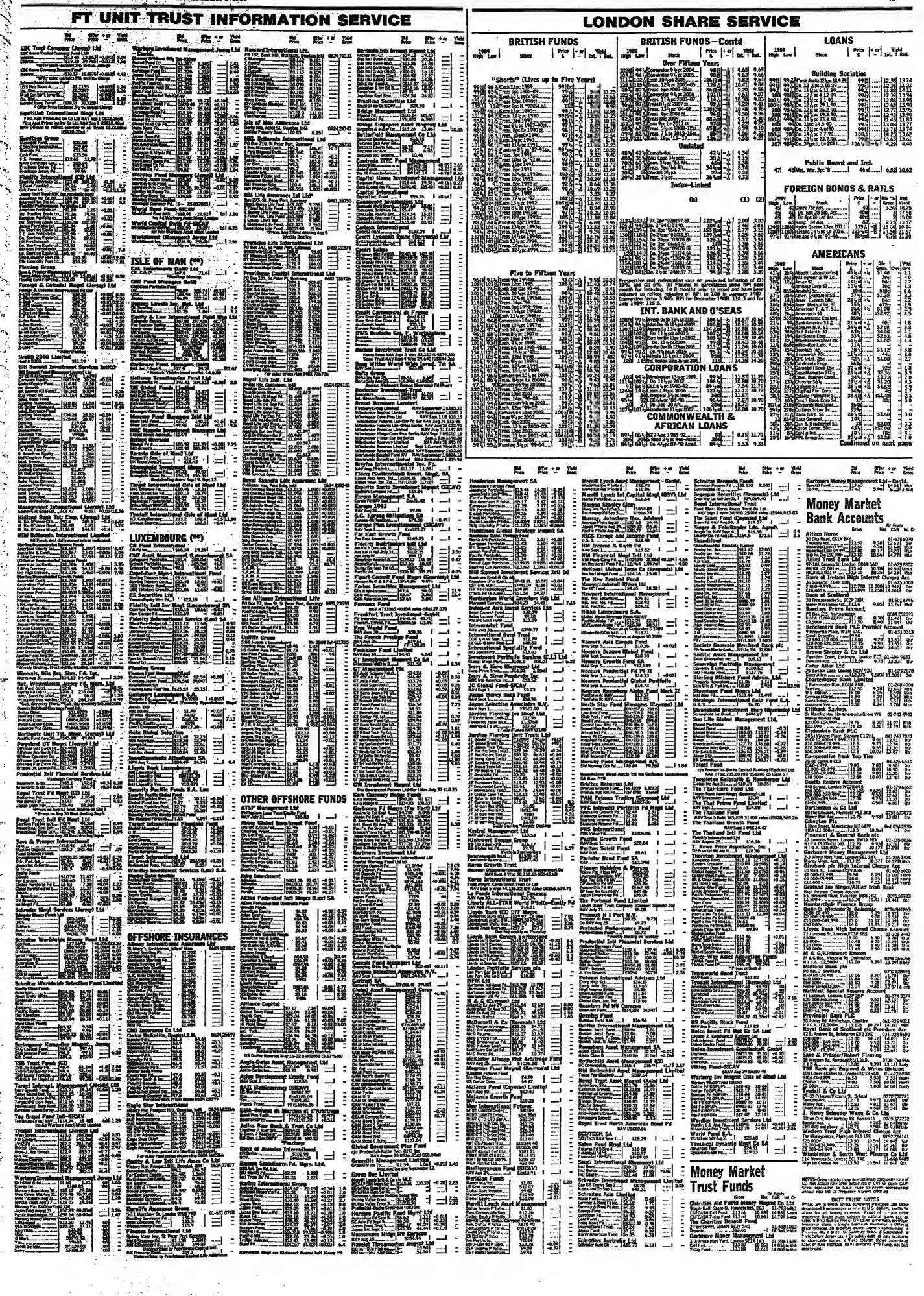




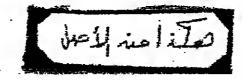
-14	FINANCIAL TIMES WEDNESDAY SEPTEMBER 6 1989
FT UNIT TRUST INFORMATION SERVICE	Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128
Premium Life Assurance Co. List 317-37 Programme Regular Liveraria, Heath Bolds State 1981 118 Secretified Amelication Co. List 317-37 Programme Regular Liveraria, Heath Bolds State 1981 118 Secretified Amelication Co. List 317-37 Programme Regular Liveraria, Heath Bolds State 1981 118 Secretified Amelication Co. List 317-37 Programme Regular Liveraria, Heath Bolds State 1981 118 Secretified Amelication Co. List 317-37 Programme Regular Liveraria, Heath Bolds State 1981 118 Secretified Amelication Co. Liveraria, 1981 118 Secretified Amelication Co. List 317-37 Programme Regular Liveraria, Heath Bolds State 1981 118 Secretified Amelication Co. List 318-38 Secretified Amelication	O1-696-2466   O2-F, Par   Part   Pa
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1987   1	PAPER, PRINTING,  ADVERTISING — Control  1907  Bigh Law Shack:  53 46/58/690 (Bartherine)  54 42 27/58/690 (Bartherine)  595 32/58/690 (Bartherine)  595 32/58/690 (Bartherine)  595 32/58/690 (Bartherine)  50 32/58/690 (Bartherine)  50 32/58/690 (Bartherine)  50 32/58/690 (Bartherine)  50 46/18/690 Bartherine)  50 46/18/690 (Bartherine)  50 46/	TEXTILES—Contd    1989	### Country   Co
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15   10-left in Rest. 6. Set 189   157   41   13.9   43.0   6.84   41   27   10.5   11.7   12.5   60   12.5   60   17   17   12.5   60   17   17   13.8   60   60   60   60   60   60   60   6	10   294   Stough Ests	222  14-4   Framewal Startmart Line   24-5   4-7   10   2-7   10   10   10   10   10   10   10   1	Tights   Warrant   Value   V

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## CURRENCIES, MONEY AND CAPITAL MARKETS

#### **FOREIGN EXCHANGES**

## Dollar up despite intervention

CO-ORDINATED CENTRAL
Bank intervention was only
partially successful in stemming the dollar's rise yesterday. The US Federal Reserve
was followed by 12 other central banks in selling dollars.
The rise started in Far East
markets despite intervention
markets despite intervention

The control of the market's hesitancy, sensing that the lack of any further advancement reflected caution and indecision. Neverthelesse, the intervention by most central banks failed to dammen markets despite intervention hy the Bank of Japan estimated as at least \$500m.

The firmer tone came after comments from leading bankers in the US expressing con-cern about the possible need for higher interest rates to control inflation. This was seen as providing a thinly veiled excuse for buying the US unit anyway. Comments such as these do not necessarily reflect Fed policy but were enough to spark off further dollar gains. The US unit broke through

resistance levels in Tokyo, and many traders expected a resulting sell off and had taken short positions accordingly. How-ever, there was no sell off, and in the scramble to cover short positions, the US unit was pushed through resistance lev-

els.
The firmer tone continued after the start of trading in London, and the US unit broke through the DML99 level but failed to bold above resistance at DM1.9920. At this point, most investors were holding back, waiting for the start of

£ 1	N MEM A	ORK
Sep.5	List	Previous Clase
E Spot	1 5400-1 5410 0.62-0 61pm 1.60-1.77pm 7 17-7 07pm	1 5695-1 5705 0 62-0 61pm 1 60-1 77pm 7 17-7 07pm
Forward premis	ms and discounts as	ply to the U5 dollar

STERLING INDEX

		5ep.5	Previous
8.30	am	91.0	411
900	am	90 9	911
18.00	2m	90 B	912
11.00	am	90 S	Ģī ī
Noon		90.8	911
1.00	pm	90 B	911
2.00		8 08	919
3.00		60.5	913
	pm	90 7	912
4.00	pm	70 /	44.2

East	Spectal?	Елгореап
Sep.5 rate	राष्ट्राड	Currency
Sterting #	1 259-5 1 242-9 1 242-9 1 242-9 17 463-5 17 2217 9 516-85 2 243-20 1 259-57 1 259-57	1.47690 1.04442 1.23628 14.6156 43,4243 8.06031 2.07610 2.34013 7.00335 1487,93 153,425 7.55324 129,612

Sep.5	Gank of England Index	Morgan <sup>20</sup> Goaranty Changes **
Sterling U.S Dorlar Canodian Bollar Austraa Schilling Beiglan Franc Danish Krone Dentsche Mark Swiss Franc Guilder French Franc Lira	90 7 72.7 105.4 106.2 105.6 103.1 112.1 106.6 109.8 99.3 99.4 136.7	-19.7 +0.55 +1.4.4 -1.8 +19.8 +112.7 +112.9 -15.6 +16.4

1985 = 100; Bank or England inges 1985 = 1009 = Rates are for Sep 1 .

Sep.5	£	Ś
Argentina	1001,65 - 1010 00	650 00 - 655 00
Australia	2.0310 - 2.0335	1.3175 - 1.3190
Brazil	4.2905 4.3205	2,7880 - 2,7920
Florand	6 9035 - 6 9150	4.4840 - 4 4860
Greece	261 60 - 265 85	169 40 - 172 15
Hong Kong	12.0435 - 12.0560	7 8080 - 7.8100
ran	116 300	73.20
Korea(Stb1	1037,20 - 1045.50	667.20 - 672.60
Kenealt	0.46510 - 0.46650	0 30070 - 0,30140
Lacembourg	64 00 - 64 10	41.60 - 41.70
Malaysia	4.1625 - 4 1730	27045 - 27065
Mexico	3960.35 - 3964 50	2570.00 - 2580.00
N. Zealand	2.6170 - 2.6230	1 6985 - 1 7015
Saddi Ar	5.6010 - 5.8065	3 7500 - 3 7510
Singapore	3.0535 - 3 0585	1.9790 - 1.9810
S. Al (Cm)	4.3145 - 4 3250	2,6005 - 2,6020
5. Af (Fa)	6.1760 - 6.3015	4 00000 - 4 0815
Taiwan	41.15-41.75	25 75 - 25.85
UA.E	5 6805 - 5 6860	3 6720 - 3,6730

MONEY MARKETS

A WEAK pound pushed interest rates slightly higher

revised this to a surplus of £50m at noon and to a flat

credit position in the after-noon. There was no interven-tion by the authorities during

the day.

Bills maturing in official hands, repayment of late assis-

UK clearing trank base lending rate 14 per cent from May 24

tance and a take-up of Treasury bills drained £297m, with bank balances below target absorbing £60m. This factors were roughly balanced by

Exchequer transactions adding 2355m to liquidity and a fall in the note circulation of £115m.

In New York there was no sign the Federal Reserve had changed its target rate for Federal for the country of the country

eral funds from 9 per cent. The US authorities drained money

from the banking system, through overnight matched

sale and repurchase agree-

ments, when Federal funds were trading at 8% per cent. This was not totally unex-

pected, although some econo-

**London rates firm** 

advancement reflected caution and indecision. Nevertheless, the intervention by most cen-tral banks failed to dampen enthusiasm, and the dollar managed to finish close to the day's high at DM1.9910 from DM1.9875 and Y147.05 from Y145.90. Elsewbere, it closed at SFr1.7150 from SFr1.7095 and FFr6.7125 compared with FFr6.6725. On Bank of England figures, the dollar's exchange rate index rose to 72.7 from

Sterling suffered at the hands of a stronger dollar and also lost ground against the D-Mark and other EMS currencies. The pound fell through support levels at \$1.5450 and \$15.155 and is now expected to \$1.5425, and is now expected to

trade down to a floor level of \$1.5225. There were no fresh economic factors to influence trading, and yesterday's decline tended to add weight to decline tended to add weight to
the argument that sterling has
recently been a convenient
parking lot for funds, in the
absence of a better treding
opportunity. High interest
rates are e supporting factor
but tend to be ignored if there
is a stronger and quicker capital gain to be made elsewhere.
On Bank of England figures,
the pound's exchange rate
index closed at 90.7, down from

the pound's exchange rate index closed at 90.7, down from 91.0 at the opening and 91.2 on Monday. Against the dollar, sterling fell to \$1.5380 from \$1.5540 and DM3.0625 compared with DM3.0750. It was also lower in yen terms at Y226.25 from Y206.75. Elecutors it fin. from Y226.75. Elsewhere, it fin-ished at SFr2.6425 from SFr2.6575 and FFr10.3250 from FFr10.3700.

EMS EUROPEAN CURRENCY UNIT RATES						
	Ecu central rates	Corrency amounts against Ecu Sep.5	% change from central rate	% change adjusted for divergence	Owergence limit %	
Betglan Franc Danish Krone German D-Mark French Franc Dutch Guilder Insb Pant Raisan Lira Spanish Peseta	7 85212 2,05853 6,90403 2,31943	43 4243 8.06031 2.07610 7.00335 2.34013 0.777908 1-87 93 129.612	+2.28 +2.65 +0.85 +1.44 +0.89 +1.24 +0.29 -3.11	+1.11 +1.48 +0.32 +0.27 +0.07 +0.29	±1.5424 ±1.6419 ±1.1019 ±1.3719 ±1.5019 ±1.6689 ±4.0815	
Changes are for Ecu, to Adjustment, calculated	berefore positive of by Financial Time	hange denotes a w s.	eak carrency			

Sep.5	Day's spread	Close	Ope month	5T	Three	P.a.
ıs	1.5375 - 1.5470	1.5375 - 1.5385	0.70-0 67cpm	534	1.89-1.85pm	4.8
20203	1.8180 - 1.8300	18180 - 18190 3 441 <sub>2</sub> - 3 451 <sub>2</sub>	0.36-0.27cpm	2.08 6.74	0 84-0 71pm 512-51spm	63
letherlands Selgium	3.4414 - 3.4614 63.95 - 64.35	64.00 - 64.10	2-1 3 cpm 35-30cpm	6.09	90-83pm	5.4
lenmark	11.87% 11.92%	11.874 - 11.884	53-4 4 oreum	5.11	111 <sub>2</sub> -121 <sub>2</sub> pm	43
eland	1.1465 1.1520	1 1490 - 1 1500	0 45-0.40cpm	4 44	1.20-1.10pm	4.0
Germany	305-3074	3054-3064	1%-1%pfpm	7 10	5-47-00	6.4
ortugal	254.70 - 256.70	251.70 - 255.70	21-39 <del>00</del> 6	-1.41	12-21dis	-0.2
RIEG	191.05 - 192.15	191.15-191 45	6-16ctis	-0.69	17-2946	-0.4
aly	21924 - 22024	21941, 21951,	5-3lireom	2.19	10-7pm	1.5
orway	11.1112 - 11.1712	11,114 - 11,124	34-23 aream	3.16 5.08	812-74 pm	2.9
rance	10.31% - 10.36%	10.32 - 10.33	41 <sub>2</sub> -41 <sub>4</sub> cpm	5.08	121 <sub>4</sub> -111 <sub>2</sub> pm	4.50 2.33 8.23
weden	10 2912 - 10 3612	10.29 - 10.30 2	213-14 orepm	2.54	63-55pm 44-45pm	2.5
man	225% 2271, 21.54 21.60	225 4 - 226 4 21 54 - 21 57	17-14 ypm 135-125 groom	9.61 7.31	351-335pm	6.4
utterland	2634 2655	2634 2644	112-113 com	6.52	44-4cm	6.2
CU	1.4730 - 1.4775	14760 14770	0.59-0.56cpm	4 67	1.50-1.45	4.0

Sep.5	Day's spread	Oese	One month	%	Three expeths	% p.a.
UK†	41.30 - 41.70 7.68½ - 7.73½ 1.9775 - 1.9930 1.65 90 - 1.66.30 1.23.85 - 1.24.30 1.420 - 1.427½ 7.20½ - 7.24 6.68½ - 6.72 6.67½ - 6.71½ 1.46.20 - 1.47.25 1.3,95½ - 14.02½	1.5375 - 1.5385 1.3400 - 1.3410 1.1810 - 1.1820 2.2420 - 2.2430 41.60 - 43.70 7.72 - 7.724 1.72 - 7.724 1.72 - 1.724 1.72 - 1.724 1.72 - 7.724 1.72	0.70-0.67cpm 0.11-0.07cpm 0.31-0.34cds 0.32-0.30cpm 3.50-2.00cpm 3.50-2.00cpm 3.50-2.00cpm 3.70-4.20liredis 1.70-4.20liredis 1.70-4.20liredis 1.69-0.46cpm 0.69-0.46cpm 0.25-0.25cpm 0.25-0.25cpm 0.25-0.25cpm 0.25-0.25cpm	534 538 529 167 99 199 548 5211 9278 197 1063	1.89-1.85 pm 0.47-0.37 pm 0.92-0.97 pm 0.82-0.78 pm 7.09-4.00 pm 0.80-1.20 pm 1.90-2.15 qm 1.50-12.30 pm 1.90-12.30  486 125 -319 143 052 161 4.88 -3.31 -2.02 -2.58 -2.58 1.56 1.68	

Sep.5	Short	7 Days	One	Three	Slx	One
	term	notice	Month	Months	Montrs	Year
Sterling US Dollar Con Dollar Con Dollar Sw. Franc Deutscheark Fr. Franc Harlan Lore 8. Fr. (Find 8. Fr. (Con.) Yer O. Kroee Ackson Song	113-113 73-74 73-74 74-74 94-81 12-10 82-84	14-134 811-812 12-114 74-74 74-813 94-814 81-84 81-84 94-84 94-84	144-138 4-83 124-117 74-714 74-74 74-74 91-9 125-117 83-84 58-53 98-92 483	142-14 9-83 121-117-12-17-17-17-17-18-18-18-18-18-18-18-18-18-18-18-18-18-	1413g 9-83 11g-11g 7-7-7-6 7-7-7-1 12-12-1 81-8-3 81-8-3 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1 9-3-1	1321-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1

		E)	CHA	NGE	CRC	<b>SS</b> 1	RATE	\$		_
Sep.5	2	5	DM	Yea	F Fe.	S Ft.	H FL	Lira	cs	81
Š	0.650	1.538 1	3.063 1.992	226 146.9	10.33 6.717	2643 1.718	3.450 2.243	2195 1427	1.818 1.162	64. 41
OM YEN	0.326 4.425	0.502 6.805	1 13.55	73.78 1000.	3.373 45.71	0.863 11.69	1.126 15.27	716.6 9712	0. <del>59</del> 4 8.044	20. 283
F Fr. S Fr.	0.968 0.378	1.489 0.582	2 965 1 159	218.8 85.51	10. 3.908	2.559 1	3.340 1.305	2125 830.5	1.760 0.688	62. 24.
g Fl. Lira	0 290 0.456	0.446 0 701	0 888 1.395	65.51 103.0	2.994 4.706	0.766 1.204	1.572	636.2 1000.	0.527 0.828	18.
C S 8 Fr.	0.550	0.846 2.401	1.685	124.3 352.8	5.682 16.13	1.454	1.898 5.386	1207 3427	1 2.838	35. 100

### FINANCIAL FUTURES

## Short sterling weaker

SHORT STERLING fell through technical support at 86.40 for December delivery on Liffe yesterday. It also temporarily breached the next support level of 86.35, touching a low of 86.32, before closing at 86.36 compared with 86.44 previously.

The Liffe market was more active yesterday, trading over

active yesterday, trading over 21,000 lots for December short sterling, suggesting that there is an increased willingness to become involved in the market

LIPPE LO £50,000	eeG CZL7 64ths of 3	FUTURES:	OPTIONS	
Strike Price 91 92 93 94 95 96	Calls - 30 Dec 4-02 3-09 2-22 1-42 1-06 0-44 0-26	tilements Mar 4-61 4-08 3-23 2-43 2-04 1-36 1-09	Puts-9: Dec 0-10 0-17 0-30 0-50 1-14 1-52 2-34	tilement 0-17 0-28 0-43 0-63 1-24 1-56 2-29
Est/putes Previous d	wolante ti ay's open i	otal, Calls on nt. Calls 55	448 Puts 8 07 Puts 36	899 48
1777	-			

LIFFE LIS OPTIONS L25,000 (cests per E1) 0.42 1.55 3.96 7.64 12.16 17.03 8.85 4.55 1.96 0.64 0.16 0.03

CONDON (LIFEE)

	Old (CTL.			
20-YEAR 650,800	9% NOTION 32ms of 100	AL ESLT		
Sep Dec	Close 94-28 94-28	High 95-02 95-02	94-23 94-20	Prev. 95-08 95-09
Estimate Previous	d volume 188 day's open in	35 (3159) L 28301 (	283540	
7-10 YE	18 9% MUTE 32nds of 100	HAL GILI		
Sep	Close	High	Low	Pres

Estimated volume 0 000 Precious day's open int. 0 000

-	74.	47.44	,	,,,,,,
Estimati Previous	ed volume 23 day's open la	867 (1058 st. 33071	D (34749)	
6% NO	TIONAL LONG 100m 100ths	TERM JA af 100%	PANESE B	IVŢ.
Sep Dec	Close 105.42 104.87	High 105.45 104.90	105.32 104.72	Pres. 105.75 105.18
Estimate	d volume 71	7 (374) • 1260 F	236)	

Sep Dec Mar Jon	0 ose 85,99 86,36 87,16 87,83	High 86,02 86,39 87,20 87,89	85,96 86,32 87,12 87,81	Pres 86.03 86.44 87.22 87.97
Est. Vol. Previous	Goc, Figs. no day's open in	4 shown) 2 L 97041 (	9970 (102: 97388)	57)
	MONTH EURO ets at 100%	DOLLAR		
Sep Dec Alar Just	Close 91.13 91.37 91.53 91.51	High 91.14 91.39 91.55 91.46	91.09 91.28 91.47 91.44	Pres 91.13 91.33 91.53
	fine flot an	shown) 6	107 (3054) 50787)	

	DM Imp	into of 100	*		
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-	Estimated Previous d	volume 382 lay's open in	4 (1230) L 15353 (	153650	
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market. In Frankfurt call money was on the London money market yesterday. Overnight money remained firm at 14-13% per cent. despite e surplus of day-to-day credit in London. Three-month interbank rose to unchanged at 6.90 per cent. The West German Bundesbank has offered liquidity to the banking system via a two-tranche securities repurchase agreement tender this week. 142-14 per cent from 14-131 per The Bank of England ini-Funds will be available via 28runos will be available via zo-day and 57-day agreements at variable bid rates, to replace DM23.3bn draining from the market as an earlier pact tially forecast a money market credit surplus of £100m, but

mists had suggested the Fed was likely to stay ont of the

expires. The market expects the central bank to be reasonably gen-erous with its allocation of funds at the tender, possibly providing a slight surplus to counter tax paymente and

money flowing out to buy a Federal Government bond. A meeting of the Bundes-bank council takes place tomorrow, but is not expected to result in higher official interest rates. The strength of interest rates. The strength of the dollar is regarded as worrying, but West German consumer prices fall 0.1 per cent in August from July, taking the year-on-year inflation rate down to 2.9 per cent from 3.0 per cent.

At the same time the German economy remains very strong, with growth in Gross

strong, with growth in Gross National Product likely to exceed 4 per cent this year, according to the Bundesbank, the highest level of the decade. It was announced yesterday that CNP growth last year had been revised up to 3.6 per cent from 3.4 per cent.

### FT LONDON INTERBANK FIXING (11.00 a.m. Sm.S) 3 months US dollars A months US Dollars The fixing rates are the arithmetic ressus resented to the nearest one-statement, of the bid and offered rates for \$10m quoted by the market to five reference banks at \$1.00 a.m. each sorting day. The banks are fixilized Westmissier Bank, Bank of Tokyn, Dentsche Bank, Bank mark divergus fixaring? Trust.

MONEY RATES

NEW YORK			Treasury	Bills and	Bonds	
Sep.5  Broker loan rate Fed funds Fed funds at intervention	1019 10-94 811	One month Two month Three month Six month One year Two year		7.74   Three year   8, 7.87   Four year   8, 8.12   Four year   8, 8.22   Seven year   8, 8.22   Seven year   8, 8.27   10-year   8, 8.25   30-year   8, 8.25   30-year   8, 8.25   8, 8.25   30-year   8, 8.25   8, 8.2		
Sep.5	O <del>re n</del> ight	One Month	Two Months	Turee Mostles	Six Months	Lombard Intervention
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LONDON MONEY RATES										
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13.41% p.c. ECGD Fixed Rate Sterling Export Finance :: 14.76 p.c., Science is 14.76 p.c., Science is 6 september 2b to Gclober 24, 1989, Scheme is 14.76 p.c., Science is 6 p.c. Reference rate for period August 11 b. August 11. 1989, Scheme IV& Authority and Finance Houses seven days outce, others seven days the lase Rate 14 from September 1, 1989, Bank Deposit Rates for sums at seven it. Certificates of Tax Deposit (Series 6); Deposit 0.100,000 and over held 1) per cent; one-three months 11 per cent; three-fix months 11 per cent; six-sent; afine-twelve months 11 per cent; dioder £100,000 9½ per cent from . Deposits withdrawn for cash 5 per cent.

in the next few days. This view was reinforced by the failure of co-ordinated central bank intervention tn halt the advance of the dollar. Strength of the US currency was

LIFFE US TREASURY BOND FUTURES OFTENS . \$100,000 64ths of 100% Mary 449 449 329 257 261 1-37 2-45 2-45 2-45 1-33 1-07 0-49

Strike Price 9050 9075 9100 9125 9150 9175 9200	Calls - se Sep 0.63 0.39 0.15 0.03 0.01 0.00	tlements Dec 0.95 0.75 0.56 0.40 0.27 0.17 0.10	Pets-se Sep 0.00 0.01 0.02 0.15 0.38 0.62 0.87	0.08 0.13 0.19 0.28 0.40 0.55 0.73	
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Co-operative Bank
Covers Popular Bk
Deutser Bank PLC
Densean Lawrie
Equatorial Bank plc
Exercity Trust, Ltd
Financial & Gen. Bank Plc
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Grosens Manhon
MFC Bank plc
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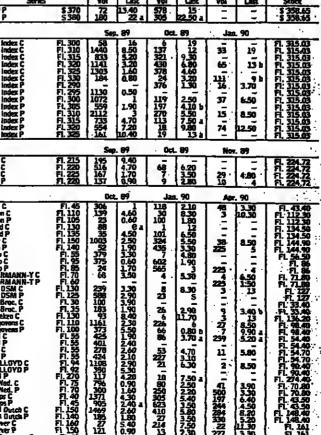
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Cl. Bank Nederland
Charterhouse Bank

**EUROPEAN OPTIONS EXCHANGE** 



TOTAL VOLUME IN CONTRACTS : 68,141

regarded as a potential prob-lem for sterling based con-tracts, with traders noting a lack of technical support for the pound between \$1.5400 and \$1.5150. Sterling lost over 1½ cents to close at \$1.5380 on the London foreign exchange mar-ket yesterday.

December long gilt futures opened at 95-01 on Liffe and fell to a low of 94-20, before finishing at 94-28, against 95-09 on Monday.

LIFFE BUND FUTURES DELL DRIZSO, DOB points of 100% Pob 015 015 039 039 037 119 1157 0.41 0.56 0.75 0.75 0.75 0.75 1.54 1.58 203 165 137 139 086 050

LIFFE SHORT STEELING OF THE ESOO,000 points of 100% Sep 0.02 0.04 0.10 0.29 0.52 0.76 1.01 0.10 0.14 0.51 0.51 0.58 0.77 0.96 0.75 0.42 0.29 0.19 Estimated volume total, Calls 3548 Pats 1701 Provious don's does Int. Calls 43154 Pats 2689

97-02 97-01 96-26 96-12 96-13 95-13 95-11 95-11

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\* These securities are dualt on a restricted basis, Further details available

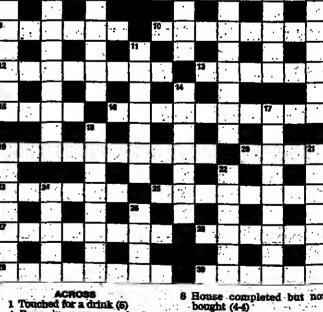
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**JOTTER PAD** 

## **CROSSWORD**

No.7,030 Set by DANTE



records (8)

9 individual away from work, just this once (3-3)

10 Class mate? Precisely: (8)

12 indicate that the score is not quite accurate (5,3)

13 Effect of deed on naughty

child (6)
15 Attack is excellent, in a way

15 Attack is excellent, in a way

(4)

16 He contributes to the liquid
assets of a bank (6,5)

19 Guess the meaning of this
word (10)

20 Ruler of note (4)

23 List in new guide (6)

25 How, initially, ownership
may be established (3)

27 End of the new train line (8)

28 Very light colour (6)

28 Very light colour (5) 29 Denial in the form of no esting (8) 30 Praise for old Iran (6)

1 One who swears or turns into a drunkard (7)

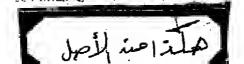
6 House completed but not bought (4-4) 7 Home team (5)
8 Dishonourable person retiring to rest, perhaps (7)
11 Property of the upper class 11 Frupatty
(7)
14 Short fight for charity (4,3)
17 Extremely wicked but safe
in our disguise (9)
18 Female freedom fighter in F.

Times puzzle (8)

19 Study elevation in a suspension bridge (7)

21 Country where men burst into song (7)
22 It's paid respectfully (8)
24 Twig a starting price swindle (5)
26 An overhead light (4)

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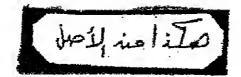


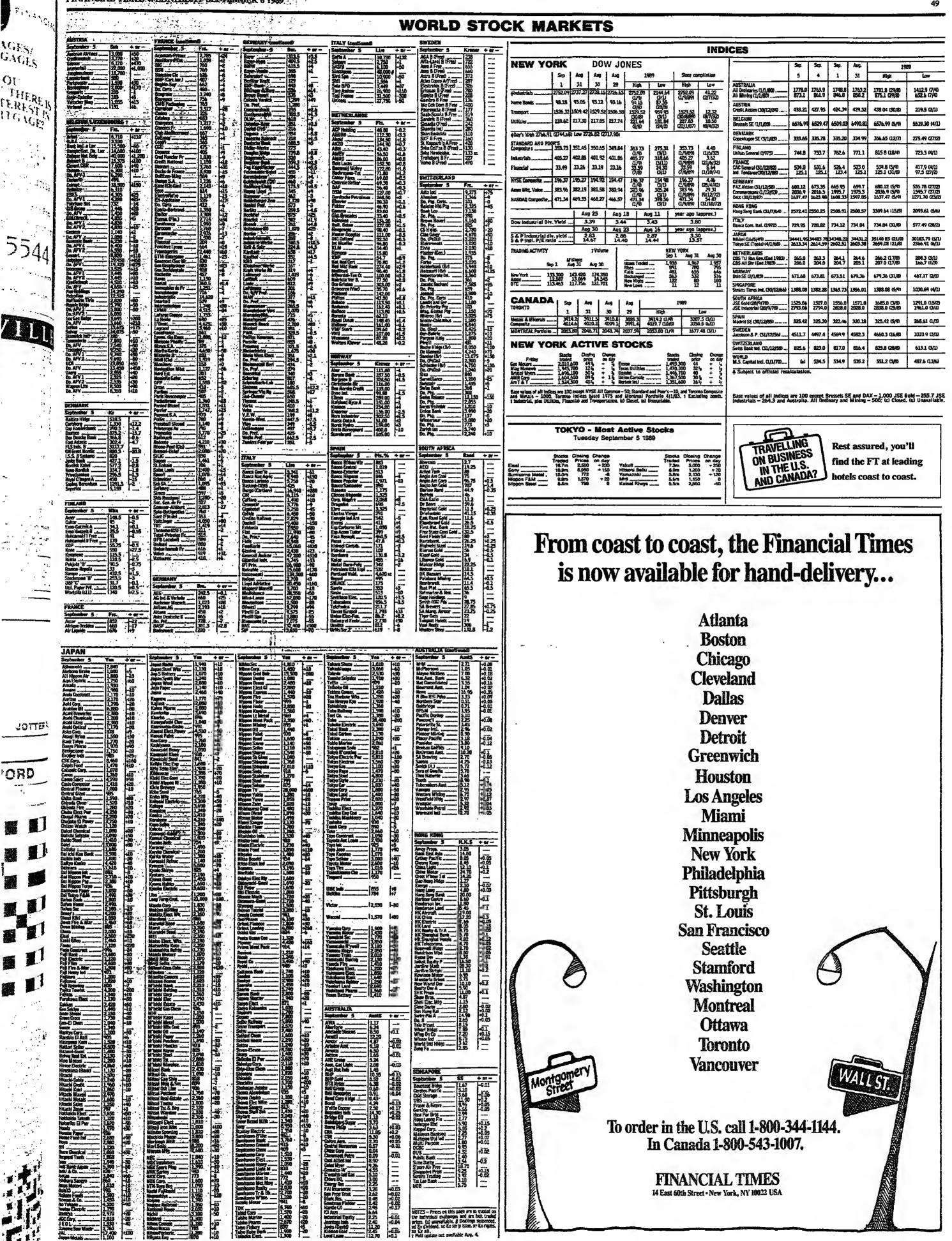
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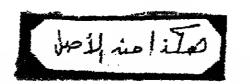
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**FINANCIAL TIMES** 

## Dow retreats from record amid interest rate fears

#### Wall Street

A LOWER hond market and concerns about interest rates eventually pushed equity market lower after the Dow had held steady at record high levels for most of the morning, writes Janet Bush in New York.

At 2 pm, the Dow Jones Industrial Average stood 9.88 points lower at 2.742.21 hut vol-ume was low with only 87m shares changing hands hy early afternoon. Other impor-tant indices were narrowly mixed in quiet trading.

The question now facing the

market is whether it can advance independently from Treasuries purely on the basis that increasingly nervous investors, who have missed out on the equity market's considerable rally, will feel compelled to commit new funds to stocks. Last week was the ninth in a row that the Dow went up, the longest winning streak since the period from July to Octo-her, 1965, when the index rose

According to Mr Newton Zinder, technical equity strategist at Snearson Lehman Hutton. the market's gains late last week suggested that it was readying itself for a further rally in spite of the interest rate background.

The hond market was weak on a US press report that some of the US Federal Reserve's

regional bank governors were heginning to think about whether interest rates should be raised in response to evidence of more robust growth

than previously thought.

The report was published after Friday's employment figures for August and upward revisions in June and July which suggested considerable resilience in the lahour

Also released on Friday was the latest purchasing managers report on economic activity which pointed to continued weakness in the manufactur-ing sector. On Friday, the pur-chasing managers' report appeared to have more weight with the bond market than the jobs figures but Friday's employment release started to

take its toll yesterday. Belief that interest rates will not fall further and may even rise fuelled a significant dollar rally and prompted a round of coordinated central hank dollar sales including intervention by

UAL was again in focus yes-terday, rising \$5% to \$292% on reports that Mr Marvin Davis was trying to enlist help from foreign airlines to top the \$7.75bn bid from the British Airwsys consortium. British Airways shares traded on the New York Stock Exchange sdded \$1% to \$34%. Among US carriers, AMR rose \$1% to \$91% and Delta \$1% to \$81%.

Johnson & Johnson rallied another 5% to \$54%, adding to its gains late last week, on continuing takeover rumours, reports of its research in an anti-AIDS drug and talk that Federal regulators are about to approve one of its drugs. Occidental Petroleum, which went ex dividend, rose \$\% to

went ex dividend, rose \$% to \$29%. The company said it was restructuring its domestic oil and gas operations and would cut 900 jobs to help make savings of nearly \$100m a year. Among hlue chip stocks IBM added \$1% to \$118%. Proctor & Complete fell \$600 to \$10000 to \$10000 to \$1000 to \$10000 to \$10000 to \$10000 to \$10000 to \$1 Gamble fell \$% to \$127% and Philip Morris gained \$1% to

#### Canada

THE FALL of stocks yesterday morning was mostly attributed to the drop in the price of shares of nickel miner, Falconhridge which fell C\$1% to C\$36%.

Among other mining issues Inco fell C\$% to C\$43%, Noranda C\$% to C\$25%, Cominco Cs% to C\$30%, and Alcan C\$%

The composite index shed 12.73 to 4001.3, with declines ahead of advances 261 to 198 on a volume of 13.3m shares.

Traders said it was likely to be the end of this week or early next week before the market gets serious about moving one way or another.

## Jakarta awakes with explosion of activity

John Murray Brown on a once-sleepy market hitting highs thanks to foreign interest



Share push: queue in Jakarta for a recent new issue

NCE dismissed as sleepy or even coma-tose, Jakarta's tiny stock exchange is currently Asian flavour of the month, reaching new highs as foreign buyers provide much of the

For a market which until last October had seen no new listings since 1984, the Bursa Efek Indonesia is now launching a new company every two weeks. The index, which lan-guished around 70 at the start

of 1988, last week touched 480, a record level in the exchange's 11-year history.

Market capitalisation, though still small, has increased five times to more than \$500m, with brokers setting their sights on \$1bn by the end of the year. Jakarta was one of the few

world markets to record a rise on the day of the crash in Octo-her 1987. There used to be some days when no shares changed hands. Even now trading is limited to two hours a day – reduced to one hour so that Moslem hrokers can

attend Friday prayers.
Today's interest is the result
of a liberalisation of trading rules, and a perception that Indonesia's economy, now growing at around 6 per cent a

wood, a specialised audio maker, added Y60 to Y1,120

during the day on rumours that its shares were being

bought up by a group of investors. It closed up Y20 at Y1.080.
Elsewhere, Fujiya, one of the hig five in Japan's confection-

ery industry, rose Y160 to

Y1,560 as investors considered

the charms of its nationwide

Eisai, a pharmaceutical com-

pany, surged Y230 to Y2,500 on the strength of its advance into

new business areas, such as

robots for agricultural use.

Eisai topped the most actives

Sony, seen by many as repre-

sentative of companies rising

chainstore network.

list with 16.7m shares.

year, can no longer be ignored. The Government has scrapped the 4 per cent daily price swing which used to limit trading. In addition stock dividends now receive similar tax treatment to time deposits at the bank to time deposits at the bank. More important, since Decem-

Unilever and Goodyear, which already had maximum foreign ownership. Last week however, after some initial confusion, the Finance Ministry announced that foreigners could have up to 49 per cent of could buy up to 49 per cent of any of the 31 listed companies. The new rules also allow for-eigners to buy into retail concerns, currently an area still off-limits to direct foreign

investment. Earlier this year two offshore funds – the Malacca Fund launched by Banque Indosuez and Jardine Flem-ing's Indonesia Fund – were set: up to invest in Indonesian stocks, while a \$40m Jakarta Fund, managed by Thornton, began trading in London on cent premium to net asset

Indonesia Jekarta composite index ber 1987 foreigners have been allowed to buy stock.

At that time only eight shares were open to non-Indonesians, with the majority of the listings being foreign joint ventures, like BAT Industries,

> In August Jardine won the right to a seat on the exchange — the first foreign broking house to do so. The price, \$150,000, may well prove a steal Merrill Lynch, Baring Securities and Bankers Trust are also showing interest.
>
> Much of the recent activity is from Singapore buyers stag-

> ging the spate of new issues. PT United Tractors, the latest issue which will be listed on September 19, was 60 times subscribed. United Tractors is a subsidiary of Astra, a widely diversified local Chinese group, one of the string of family busi-

raise equity finance to expand product lines in response to the latest export incentives. A company director said he had the "delicate task of arranging share allotment," adding that high priority would be given to

small investors.

ast week trading began in Bakrie & Brothers, another local but nonchinese concern, involved in steel pipe manufacturing. Even the Liem group, the Jakarta arm of the Hong Kong-based First Pacific company, is said to be looking to float some of its subsidiaries. Liem owes its position as Indonesia's leading company to close ties with President Subarto. A move to list is seen as an insurance pol-icy should the President step down in 1993.

Few foreign brokers are looking that far ahead. For one looking that far ahead. For one thing, price earnings ratios are already on multiples of 20 or more. For all the changes, liquidity remains tight, For example, Indosuez says that only 25 per cent of the Malacca Fund will be invested in Indonesia, the remainder in Malaysia and a portion in companies which, while based eisewhere, have their principal operations in those two countries.

weeks but still light. The Hang Seng index finished 22.16

higher at 2,572.41, helped by continuing rumours about an

impending corporate reorganisation at Cheung Kong.

Property shares led the market, with Cheung Kong the most actively traded reside.

SINGAPORE gained further arranged marketing a restorate

ground, reaching a post-crash high-in active trade of 93m

shares, down from Monday's

135m. The Straits Times indus-trial index put on 5.80 to

Among the biggest gains, Straits Steamship added 16 cents to \$\$3.60 after the sale of

the centrally situated Sanford

Building to a Japanese buyer for \$\$109m; the company's property arm had a 50 per cent share in the building.

A 45-72

# Frankfurt scales new peak while Paris consolidates

THE fast pace continued in West Germany, and there were stroog gains in Amsterdam and Brussels, writes Our Mar-

FRANKFURT defied those wbo felt consolidation was overdue, the FAZ index rising 6.77 to 680.12, its highest level in more than two years. There was more action in construction where Hochtief put or DM25 to DM875 and Holzmann climbed DM20 to DM1,070 or the influx of East German refu gees; but hlue chips were the

Taking its line from a 4.9 per cent jump in West Germar GNP growth in the second quarter, market volums surged from DM6.1bn to DM7.3bn. The DAX index made a new high of

1,637.47, up 13.47. even with a stronger dollar in the equation, the threat of an early increase in interest rates has receded. Foreign investors were clearly in accord with this and active buying came from Britain, Switzerland and

Siemens was in particular favour, risiog DM12.20 to DM605.50 in turnover more than doubled from DM232m to DM518m. Volkswagen rose only 70 pfg to DM497 but this was in turnover np from DM472m to DM542m. Blue chips like VW were in danger last week of piercing resistance levels on the way down; this week they are bitting them on

PARIS took a breather and prices moved little, but the market was full of news which pushed individual stocks.

The success of the takeover hid by Suez for Compagnie Industrielle and Groupe Victoire signalled an end to a period of speculative excitement in the insurance sector, hut other events arrived swiftly to attract investors' attention. Suez itself closed FFt4 lower at FFr363 after an initial rally on the news, and Navigation Mixte, which has a stake in Industrielle, shed FFr62 to

FFr1,121 after recent gains. News came from Bouygues, the leading construction com-pany, that Mr Francis Bouygues, the 66-year-old chairman, was resigning to hand over to his son, Martin. Although a handover had been long rumoured, it came sooner than expected and the shares ended FFr8 lower at FFr757 amid uncertainty about how well ths on would fill his charismatic

fatber's shoes. A 40 per cent rise in first half profits from Elf Aquitaine was at the top end of expecta-tions and set the ball rolling for several weeks of interim results. Elf gained FFr13 to

Valeo, the car components maker, gained FFr33 to FFr921 following a company forecast of 1989 earnings of at least FFr1bn and a favourable reception for the group's acquisition of Blackstone of the US, which makes car equipment includ-ing air conditioners.

The OMF 50 index shed 0.61 to 528.64, while the CAC General, reflecting Monday's trade, rose 3.2 to a new high of 534.8. Volume was thought to be about FFr2bn.
AMSTERDAM surprised

some observers by rising strongly on the day before the general election, when a oer-vous, quiet session had been expected. The CBS tendency index climbed 2.1 to 192.1 in healthy turnover worth Fl 885m, up from Monday's low Fl 490m.

The market was helped by the strength of the German hourse and by growing opti-mism that the centre-right coalition would hold its own in the polls.

Financials starred, with Aegon, the insurer, rising Fl 3.30 to Fl 112.30 and NMB bank rising Fl 2.90 to Fl 274.

MILAN ended mixed as the suspension of Banca Nazionale del Lavoro (BNL) dampened

interest. The Comit index closed 1.13 higher at 729.95.

BNL was suspended by the regulatory agency Consob in the wake of the growing indicated in the William in the water of the growing in the water of the growing in the William i cial scandal at its US branch in Atlanta, Georgia. On Monday BNL savings shares fell 9.7 per cent to L14,900 from L16,500.

ZURICH saw the Credit Suisse index up 1.2 to 669.6. Kleinwort Benson is looking for better things - saying that inflation looks unlikely to rise from its present 3 per cent, interest rates are no longer under pressure and the market has just hegun to enjoy a revival after months of being held in abeyance.

MADRID ended little gled with fresh buying, but there was optimism shout an imminent break through the all-time high of 328.36, reached on October 6, 1987. The index

closed up 0.17 at 325.42. STOCKHOLM plcked up from early losses to close virtually unchanged in moderately active trade focused on Saab following its figures on Mon-day and the simultaneous announcement of its talks with Ford. The news put an end to rumours about the car division and Saab free B-shares rose SKr3 to SKr221.

BRUSSELS ended at a record high as investors bought Société Genéralé de Belgique, which finished BFr115 higher at BFr3,665, and the steel sec-

The main forward market index started the new twoweek trading account by jumping 67.74 to 6.540.38.
HELSINKI stocks fell sharply again, after a similar

slump on Monday, with inves-tors concerned about Finland's rising interest rates.

The Unitas all-share index fell 1.2 per cent to 744.8 from

## Rumours surrounding San-sui have triggered speculation in other specialised companies the overcrowded audio industry, where some restruct-uring is thought likely to take place in the near future. Ken-

gains and trading activity failed to pick up, writes Michiyo Nakamoto in Tokyo. At first, the rise in share prices appeared to reflect a recovery in confidence stem-

The Nikkei lost its gain of over 100 to a high of 34,635,07 during the day, to close 41.83 down at 34,441.95. The day's low was at 34,338.45. Advances just outnumbered declines by

Turnover improved moderately to 530m shares from the 437m traded on Monday. The TSE index of all listed shares lost 1.25 to 2,613.34. In London, the ISE/Nikkei 50 index rose

The combined effects of a weak yen, scant prospects of ket focus brought on by

most of the summer. So the gains shown by heavily-capitalised issues on Monday were not extended. Nippon Steel closed unchanged at Y799 after rising Y6 to a high for the day of Y805. Sumitomo Metal, third most active with 10m shares, lost Y8 to Y772. Mitsu-blshi Heavy Industries retreated from its high of the

taking and lost Y60 to Y2,900.
Sansui, an audio company which had risen on talk of a takeover, fell Y18 to Y901 after

### **SOUTH AFRICA**

# Profit-taking undermines early Nikkei rally

Interest in special situation

stocks supported a strong gain in Osaka. The OSE average rose 178.04 to 34,799.48 while

volume rose to 75.8m shares

THE BIGGER Asia Pacific mar-

kets held ont longer than Tokyo, scoring rises across the

AUSTRALIA is reaping the

rewards of an exceptional com-pany results season; turnover

was active again at 129m shares worth A\$290m, against 184m and A\$290m on Monday.

The All Ordinaries index rose 14.1 to 1,778.0, closing just off

the post-crash record it set a

CRA itself closed another 30

cents higher at A\$11.85, antici- \_\_2,454.96.

from the 53m on Monday.

Roundup

week earlier.

AN EARLY spurt in Japanese

ming from Monday. In fact, said analysts, it was the result of arbitrage trading.

2.82 to 2.052.01.

lower interest rates in the short term, and a lack of marpopularity of index funds kept investors wary. The temptation to take profits was too great in s market which has put in a disappointing performance for

#### HONG KONG continued its to Y8,950. It was second on the volumes list with 10.9m shares. jump in first half net profits, reported after hours. In Lon-don, later, it was trading at uphurn as turnover increased from HK\$729m to HK\$841m, the best in more than two

A\$12.05 and would have gone higher but for more trouble at

the Bougainville subsidiary. Bougainville has a huge but

politically troubled copper min-ing operation. In Sydney it ended with a rise of 19 cents to A\$2.52 on the resumption of

mining in Papua New Guinea,

following a four-month closure. However, after shots were fired the mine was closed after less

than 12 hours, in London, later, the shares were quoted around A\$2.30.

Meanwhile, Bond Corp Hold-ings resumed its slide, drop-

ping 2 cents to 42 cents on turnover of 3.2m shares.

NEW ZEALAND firmed in

line with Australia, but closed

off its highs for the day. The

Barclays index rose 8.64 to

The first the state of the state of the state of

#### Tokyo

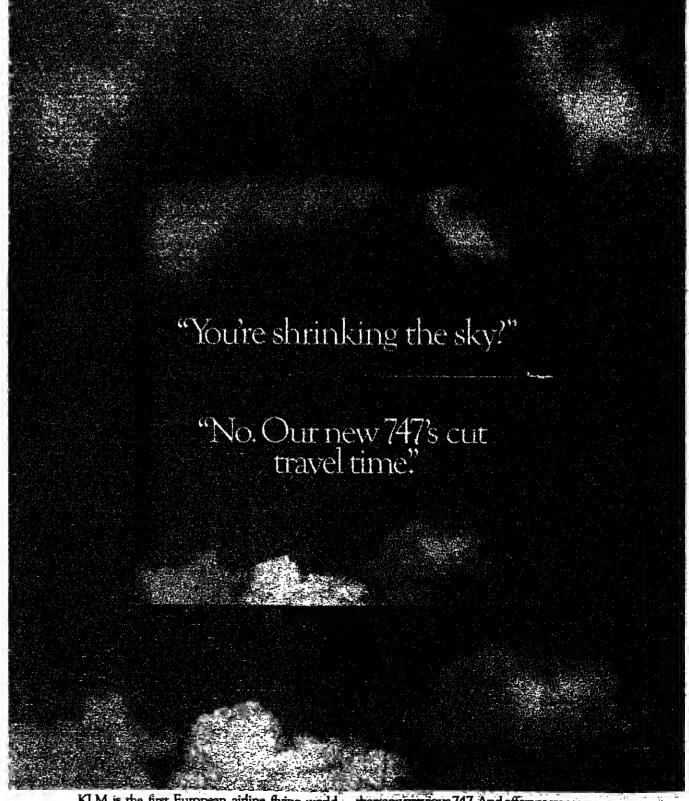
share prices fed hopes of renewed market vigour, but these were quickly dashed as profit-taking undermined most

464 to 443 while 210 issues were unchanged.

day of Y1,170, up Y20, to close unchanged at Y1,150.

Even Keisei Electric Railways, popular recently on spec-ulation that an affiliate would soon be listed, suffered profitreaching Y955 during the day.

TRADING was quiet and volume low in Johannesburg before today's election. The market was narrowly mixed.



KLM is the first European airline flying world routes in the new 747-400.

This remarkable new aircraft can fly a third of the way around the world non-stop. Which means a faster journey to many of KLM's

In addition, it's quieter and more comfortable

than any previous 747. And offers passengers more room inside the cabin for hand luggage.

We may be the world's longest established airline. But we fly some of the world's voungest planes. Test us, try us, fly us.

The Reliable Airline K



NATIONAL AND

REGIONAL MARKETS _									-			
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	(epprox
Australia (85)	154.24	+ 0.8	147.15	134.57	+0.8	4,69	152.97	145.70	133.53	157,14	128.28	142.96
Austria (19)	145.70	-0.4	138.00	149.68	-0.1	1.62	148.31	139.38	149.87	150.67	92.84	86.98
Belgium (53)	131.99	-0.2	125.92	134.76	+0.0	4.10	132.32	126.04	134.77	137.97	125.58	112.79
Canada (123)	152.17	+ 0.1	145.18	130.19	+ 0.0	S.09	152.04	144.82	130.19	158.59	124.87	118.26
Denmark (36)	194.59	+0.0	185.84	202.99	+0.2	1.55	194.61	185.37	202.55	219.89	165.35	121.35
Finland (26)	131.89	- 1.1	125.83	123.70	-0.7	2.22	133.39	127,06	124.60	159.18	125.81	116.21
France (126)	130.28	+ 1,1	124.30	136.36	+ 1.2	277	128.84	122.72	134.75	133.44	112.57	90.58
West Germany (100)	97.1S	+ 1.1	92.72	99.96	+1.2	2.05	96.10	91.54	98.82	100.53	79.56	75.38
Hong Kong (48)	107.07	+2.0	102.15	107.34	+20	5.18	104.98	99.98	105.24	140.33	86.41	102.61
Ireland (17)	153.59	+ 0.8	146.53	160.36	+0.9	2.77	152.68	145.43	158.94	188.69	125.00	130.21
llaly (97)	94.39	-0.5	90.05	99.89	-0.7	2.25	94.90	90.40	100.57	96,73	74.97	70.04
Jepan (455)	179.31	+0.4	171.07	165.37	+0.5	0.48	178.60	170.12	184.60	200.11	164.22	154.66
Malaysia (36)	191.40	+ 1.9	182.61	198.89	+2.1	2.44	187.76	178.85	194.85	193.38	143.35	139.18
Mexico (13)	292.08	+ 1.4	278.66	S17.84	+ 1.4	0.62	287.91	274.24	806.1S	292.08	153.32	152.17
Netherland (43)	123.83	-0.4	118.14	126.03	- 0.3	4.14	124 <i>.2</i> 7	118.37	126.43	130.67	110.63	101.62
New Zealand (20)	88. IS	+ 1.1	84.12	79.08	+ 1.7	4.37	<b>87.25</b>	83.10	77.74	88.18	62.64	73.25
Norway (24)	183.60	- 0.1	175.18	179.24	+0.3	1.45	183.73	175.01	178.62	198.39	139.92	110.43
Singapora (26)	165.52	+ 0.1	157.91	150.49	+0.3	1.68	185.38	157.53	150.07	170.62	124.57	122.17
South Airica (SO)	153.18	+ 1.8	146.14	135.29	<b>- 1.5</b>	4.14	150.75	143.58	137.30	154.97	115.35	105.83
Spain (43)	159.48	+0.7	152.15	149.21	+ Q.S	3.44	158.37	150.85	147.99	160.94	143.14	139.78
Sweden (35)	179.47	<b>– 1.8</b>	171. <b>22</b>	177.14	- 1.5	1.94	182.76	174.08	179.85	188.94	138.45	113.13
Switzerland (64)	89.75	+0.3	85.62	95.12	+0.3	1.98	89.50	85.25	94.79	94.18	67.81	75.63
United Kingdom (307)	154.24	+0.4	147.15	147.15	+0.5	3.88	153.69	145.40	148.40	158.41	133.28	123.97
USA (5491	143.84	+0.0	137.23	143.84	+0.0	3.24	143.84	137.01	143.84	143.84	112,13	108.08
Europe (1030)	128.98	+0.4	123.08	128.05	+ 0.5	3.22	128.48	122.37	127,41	132.62	112.63	101.03
Nordic (121)	165.7S	- 1.0	158.1S	160.50	-0.7	1.77	167.39	159.44	181.58	178.38	137.95	107.99
Pacific Basin (670)	175.77	+ 0.4	167.69	162.10	+ 0.5	0.72	174.99	166.68	181.27	194.72	160.44	152.09
Euro - Pacilic (1670)	157.19	+0.4	149.96	148.35	+ 0.5	1.56	156.51	149.08	147.60	166.98	141.58	131.68
North America (672)	144.24	+0.0	137.61	142.98	+0.0	3.23	144.23	137.38	142.98	144.24	112.79	108.61
Europe Ex. UK (693)	112.98	+0.4	107.80	116.26	+0.5	2.64	112.51	107.17	115.70	116.28	96.30	86.71
Pacilic Ex. Japan (215)	133.05	+ 1.1	126.93	120.95	+ 1.2	4.51	131.55	125.30	119.55	187.65	111.93	121.12
World Ex. US (1866)	157.06	+0.4	149.84	147.95	+ 0.5	1.63	155.39	148.96	147.18	166.35	141.49	130.88
World Ex. UK (2108)	150.99	+ 0.3	144.05	146.40	+ 0.3	1.99	150.57	143.42	145.97	155.66	136.98	121.87
World Ex. So. At. (2355)	151.25	+ 0.3	144.30	146.52	+ 0.3	2.16	150.84	143.57	146.04	155.92	136.67	122.14
World Ex. Japan (1960)	138.29	+ 0.2	121.94	137.02	+0.2	3.28	138.01	131.45	136.73	138.29	114,51	106.44
The World Index (2415)	151.26	+0.3	144.31	146.44	+0.3	2.17	150.83	148.87	145.98	155.89	136.68	122.04

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